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Proceedings of the

National Conference on

FRUIT AND VEGETABLE BARGAINING COOPERATIVES

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Fontainebleau Hotel
Miami, Florida
January 5 & 6, 1963

U. S. Department of Agriculture
Farmer Cooperative Service
Washington 25, D. C.

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PROCEEDINGS OF THE SEVENTH NATIONAL CONFERENCE ON FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Seventh National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Fontainebleau Hotel, Miami, Florida, on January 5 and 6, 1963.

As with earlier conferences, the purpose was to provide a forum to discuss mutual problems and to encourage exchange of varying ideas and opinions to help bargaining cooperatives more effectively meet growers' needs.

Again at the request of various fruit and vegetable bargaining cooperatives, the Farmer Cooperative Service, U. S. Department of Agriculture, arranged and conducted the conference.

A total of 56 persons participated in the conference. This included 24 persons representing 8 fruit and vegetable bargaining cooperatives; 8 from 7 other cooperatives; 7 from State and national cooperative organizations; 7 from the U. S. Department of Agriculture; 4 from land-grant colleges; and 6 others.

These proceedings include speeches made at the conference, as well as other related information. In view of the diversity of ideas expressed, the views reported here are those of the participants and not necessarily those of the U. S. Department of Agriculture.

Copies of these proceedings -- in limited quantity -- may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.

PROGRAM

Saturday, January 5 — Fontaine Room

12 noon - 2:00 p.m. — Luncheon Session

Chairman . . . . . Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Department of Agriculture

Words of Welcome . . . . . Kenneth D. Naden, Secretary
National Council of Farmer Cooperatives
Washington, D. C.

Cooperative bargaining opportunities as seen by a farm editor
Claude Gifford, Economics Editor
FARM JOURNAL
Philadelphia, Pennsylvania

2:00 - 5:00 p.m. — First Afternoon Session — Pasteur Room

Chairman . . . . . Wendell M. McMillan, Assistant Director
Marketing Division
Farmer Cooperative Service
U. S. Department of Agriculture

Panel: Economic information and pricing

J. Ward Cooper, Manager, Apple Dept.
American Agricultural Marketing Assn.
Chicago, Illinois

Walter R. Collett, Executive Secretary
Oregon Vegetable & Fruit Growers Assn.
Salem, Oregon

David Orth, Director
California Canning Peach Assn.
San Francisco, California

Panel: Negotiating techniques

Robert E. Collins, President
California Canning Pear Assn.
San Francisco, California

John C. York, Executive Secretary
Eastern Milk Producers Cooperative Assn.
Syracuse, New York

Panel: Membership relations

John Handy, President
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

S. C. Cashman, General Manager
Ohio Agricultural Marketing Assn.
Columbus, Ohio

Panel: Press and public relations

R. Keith Reeve, President
California Tomato Growers Assn.
Stockton, California

A. W. Severson, Chief, Bureau of Market Reporting and Cooperatives
State Department of Agriculture
Trenton, New Jersey

Sunday, January 6

2:00 - 5:00 p.m. Second Afternoon Session Pasteur Room

Chairman . . . . . J. Kenneth Samuels, Director
Marketing Division
Farmer Cooperative Service
U. S. Department of Agriculture

1962 bargaining developments on the west coast
Cameron Girton, Manager
California Canning Pear Association
San Francisco, California

Cooperative bargaining efforts in Florida
Henry G. Hamilton, Head
Department of Agricultural Economics
University of Florida
Gainesville, Florida

How processors and bargaining associations can work together
Milan D. Smith, Executive Vice President
National Canners Association
Washington, D. C.

Progress report -- American Agricultural Marketing Association
Harold J. Hartley, Manager
Fruit and Vegetable Division
American Agricultural Marketing Association
Chicago, Illinois

Panel: How can we build greater bargaining strength?

Floyd F. Hedlund, Director
Fruit and Vegetable Division
Agricultural Marketing Service
U. S. Department of Agriculture

Ralph B. Bunje, Manager
California Canning Peach Association
San Francisco, California

Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Coop.
Grand Rapids, Michigan

Summary of the Conference:

Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Department of Agriculture

PERSONS ATTENDING THE CONFERENCE

Paul T. Blair	Associate Agricultural Economist, Mississippi State University, State College
Ralph B. Bunje	Manager, California Canning Peach Association, San Francisco
S. C. Cashman	General Manager, Ohio Agricultural Marketing Association, Columbus
Walter Collett	Executive Secretary, Oregon Vegetable and Fruit Growers Association, Salem
Robert E. Collins	President, California Canning Pear Association, San Francisco
J. Ward Cooper	Manager, Apple Department, American Agricultural Marketing Association, Chicago, Ill.
Ralph M. Cooper	Assistant Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison
Dana Dalrymple	Federal Extension Service, U. S. Department of Agriculture, Washington, D. C.
Den H. Davis	Vice President, Great Lakes Cherry Producers Marketing Cooperative, Clyde, Ohio
Curtis Drake	Director, Great Lakes Cherry Producers Marketing Cooperative, Hartford, Mich.
Berkley I. Freeman	Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Claude W. Gifford	Associate Editor, FARM JOURNAL, Washington Square, Philadelphia, Pa.
Cameron Girton	Manager, California Canning Pear Association, San Francisco
C. H. Guiney	General Manager, Maine Potato Growers, Presque Isle
Henry G. Hamilton	Head, Department of Agricultural Economics, University of Florida, Gainesville
John Handy	President, Great Lakes Cherry Producers Marketing Cooperative, Sodus, Mich.
Harold J. Hartley	Manager, Fruit and Vegetable Department, American Agricultural Marketing Association, Chicago, Ill
Floyd F. Hedlund	Director, Fruit and Vegetable Division, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C.
Glenn E. Heitz	Deputy Governor, and Director, Cooperative Bank Service, Farm Credit Administration, Washington, D. C.
Robert F. Holt	Secretary-Treasurer, California Tomato Growers Association, Stockton
Richard C. Johnsen	Executive Secretary, Agricultural Council of California, Scaramento

Richard B. Jones, Jr.	President, Baltimore Bank for Cooperatives, Baltimore, Maryland
W. J. Klotzbach	Manager, Cherry Growers, Inc., Traverse City, Mich.
T. O. Kluge	Manager, Sunsweet Growers, Inc., San Jose, Cal.
Joseph G. Knapp	Administrator, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
M. E. Knouse	President, Knouse Foods Cooperative, Peach Glen, Pa.
Ovid G. Long	President, Oregon Vegetable and Fruit Growers Association, Salem
A. W. Matthews	Field Director, Ohio Agricultural Marketing Association, Maumee
George H. McManus	District Marketing Agent, Michigan State University Traverse City, Mich.
Wendell M. McMillan	Assistant Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Willis Mohler	Director, Great Lakes Cherry Producers Marketing Cooperative, Gasport, N. Y.
Paul O. Mohn	Chief, Marketing Firm Management Branch, Federal Extension Service, U. S. Department of Agriculture, Washington, D. C.
Kenneth D. Naden	Secretary, National Council of Farmer Cooperatives, Washington, D. C.
James L. Oakes	Director, Great Lakes Cherry Producers Marketing Cooperative, Lyndonville, N. Y.
David Orth	Director, California Canning Peach Association, Modesto,
Alfred J. Pero	Director, Great Lakes Cherry Producers Marketing Cooperative, North East, Pa.
J. C. Pike	Manager, Florida Division, California Packing Corporation, Tampa
Homer J. Preston	Director, Purchasing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Keith Reeve	President, California Tomato Growers Association, Stockton
J. Burton Richards	Fieldman, Michigan Agricultural Cooperative Marketing Association, Lansing
J. Kenneth Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Alvah W. Severson	Chief, Bureau of Market Reporting and Cooperatives, State Department of Agriculture, Trenton, N. J.
Milan D. Smith	Executive Vice President, National Canners Association, Washington, D. C.
James Speer	President, Eastern Milk Producers Cooperative Association, Syracuse, N. Y.

William Staiger	Assistant Executive Secretary, Agricultural Council of California, Sacramento
Edwin F. Steffin	Attorney, Farm Bureau Services, Lansing, Mich.
J. Kenneth Stern	President, American Institute of Cooperation, Washington, D. C.
Leonard J. Stoneman	Director, Great Lakes Cherry Producers Marketing Cooperative, Sturgeon Bay, Wis.
Robert Sumner	Director, Ohio Agricultural Marketing Association, Columbus
Milo Swanton	Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison
Richard B. Trostle	Director, Great Lakes Cherry Producers Marketing Cooperative, Biglerville, Pa.
Lloyd L. Ullyot	President, St. Paul Bank for Cooperatives, St. Paul, Minn.
Robert C. Wilcox	Extension Economist, University of Idaho, Boise
E. O. Williams	Fort Lauderdale, Florida
John C. York	Executive Secretary, Eastern Milk Producers Cooperative Association, Inc., Syracuse, N. Y.

WORDS OF WELCOME

Kenneth D. Naden, Secretary
National Council of Farmer Cooperatives
Washington, D. C.

It is a pleasure to meet with many friends and associates in the bargaining cooperative field here today and to welcome you on the occasion of the 34th annual meeting of the National Council of Farmer Cooperatives. I know that many of you have interests in the National Council other than your bargaining cooperative activities and you will be staying for the annual meeting anyway. I hope there will be material on the program of broad interest to all of you.

Many people are concerned about, and talking about, bargaining power for farmers. We also know that this is a complex objective and many tools are needed to reach it.

The use of horizontal integration is the first and foremost step and tool used in gaining more bargaining power for farmers. This is the essence of group action. It permits many farmers to speak with one voice. Hence, you in bargaining associations carry the burden and responsibility of making an important first change in the structure and organization of agriculture.

As soon as you get this job done, you can move into other fields and use other tools which give real meaning, in terms of income, to your efforts. You can use vertical integration, brands, promotion programs, and many other tools that will be effective in reaching your objectives. Therefore, keep in mind the importance of your efforts and your type of organization but also the importance of the challenge and responsibilities which lie before you.

Again, best wishes for a most successful meeting.

COOPERATIVE BARGAINING OPPORTUNITIES AS SEEN BY A FARM EDITOR

Claude W. Gifford, Economics Editor
FARM JOURNAL
Philadelphia, Pennsylvania

Farmer cooperatives have made tremendous progress in the last 30 years, as Joseph G. Knapp, Administrator of the Farmer Cooperative Service, outlines so well. But the specific stages in this progress have been something that even the fertile mind of Ed Babcock didn't foresee 30 years ago.

One of the frailities of man is that none of us are endowed with the capacity to foresee clearly what is going to happen even in the next minute of our lives. The best that we can do is to look at the events of the past, extend our antennae of recognition of what is going on around us now, identify the major forces that are bearing on us, and then point in the general direction of where we think we should go.

If we periodically stop to take a hitch, again extend our antennae and reappraise, we may be among those who are so fortunate as to feel their way to some success.

But the specific path that we shall take at each crossroad of decision, and what it portends for us, will always remain a mystery of the future--and this is one thing that keeps man trying. For if we always knew how little lies ahead, we might lose the spirit to try; and if we likewise knew how much lies ahead, we might not be able to summon the courage to accept the coming responsibility.

I start with this simple philosphy, because as I observe the continuing effort of farmers to achieve bargaining power, it strikes me that at best we are slowly feeling our way to success. There is no clear-cut path; there are no set rules; there are no volumes of experience to digest; and there are no savants who can tell us the answers.

The function that I might perform today is to perhaps help us take a hitch. That is the most than I shall try.

The title that Joe Knapp assigned me is "Cooperative Bargaining Opportunities as Seen by a Farm Editor." When you analyse that title, it promises no more than that I will tell you what I see -- and makes no claim about the breadth, or depth, or visdom of my vision. I am most grateful for that modest demand. It is in keeping with my qualifications.

For me to come before you -- you who are professionals in farm bargaining -- and promise to do more, would be akin to a man coming in off the street to a bar association meeting to talk about courtroom procedure.

What I will say, then, is done merely from my background as an observor of things agricultural. I do not promise to be an authority on any of them. All I do is report and interpret as best I can.

So I shall tell you what I think I see in cooperative bargaining opportunities for farmers. If much, or all, of this view is clouded by the mist of inexperience, I hope that you will excuse it. Perhaps when I have exposed my blind spots before you, you will then help me clear my vision.

Where Is Cooperative Bargaining Headed?

I see farmers' cooperative bargaining power achieving an ever-growing, more important role.

It is picking up thrust from various developments:

1. The continued disparity between farm family business income and other business incomes of comparable investment is pushing farmers toward group bargaining. Farming, over-all, is making an average return of only about 6 percent on the farming investment -- with the operators' time and management thrown in.

2. The mounting costs of the farm family business are pushing farmers toward exercising more control over their business costs and income. In the last 10 years farmers' gross from farming has increased $2.8 billion; and farm production expenditures have increased $5.1 billion.

3. The success that other major parts of the economy have made in blunting the hard edge of free competition leads farmers to seek comparable control, if only in self-defense. Businesses have their protection in the form of patents, franchises, tariffs, licenses, production control, and sheer size. Labor operates in the comfortable warmth of favorable Federal legislation.

4. Farmers are leaning more heavily toward group-achieved bargaining power because of failures of Government programs to bring parity of income to agriculture.

5. Farmers are becoming aware that they are an ever-decreasing minority of the electorate. They see that they need an enlightened, friendly legislative climate in which to operate -- not direct legislative control over their prices, their income, and their management maneuverability. Farmers are coming to view with suspicion direct legislative control where the 12 to 1 majority who write the rules are interested primarily in low food costs.

6. As farmers see their market outlets concentrated into fewer hands, they see both the need and the opportunity to negotiate for better, more dependable market terms.

The economic climate for cooperative bargaining has never been better. The groups represented here at this conference are at the forefront. The considerable achievement and pioneering of the California bargaining cooperatives has laid the groundwork. The Great Lakes Cherry Producers Marketing Cooperative and others are bright spots in other areas.

We welcome the major effort that the American Farm Bureau Federation is making in the field of organized bargaining power. At the recent AFBF convention in Atlanta, Georgia., President Shuman made these comments about the AFBF-sponsored American Agricultural Marketing Association, which now has 20 affiliated State Farm Bureau marketing groups:

> "We expect this to be a major part of the Farm Bureau program 5, 10, 20, 30, 40 years from now. This involves the largest and most important activity that the Farm Bureau has ever launched...Farm Bureau's strength and reputation are on the line."

Shuman and the AFBF have no illusions about this being an easy road. "It won't come easy, nor without mistakes, reverses and losses," said Shuman. "Marketing is changing. The only worthwhile research is based on the changing market; the market of the future. You can't do market research in a college laboratory or in a college library. You've got to get out there in the field...None of us have any better information or experience in how to do this than you have. There is no source. It is uncharted ground. The opportunities are great; the challenge is great; the responsibilities are equally great."

As an example of their activity, Shuman reported that they have helped organize 40 percent of the processing apple growers in 1 year and that they expect a break-through in 1963.

What We Have Learned So Far

We have come a long way in group bargaining, and we have learned a good deal.

When I was a boy on the farm, I became interested in keeping bees. After reading the advertisements in Farm Journal, I wrote for free literature telling about the joys of beekeeping and the mysteries of bees. And there was one prominent bit of advice in this material that struck me then and has stuck with me since. It simply said: "If you want to be a success in beekeeping, start where others leave off."

This would be mighty good advice for any farm group that wants to get into cooperative bargaining: Study what others have done. Look at their mistakes. Find out what they have learned.

And those who are active in cooperative bargaining have learned quite a bit.

We have learned that there is a limit to what can be achieved through cooperative bargaining. We have found that the easiest success in cooperative bargaining is achieved when there are relatively few growers producing a crop limited to a small geographic area, and for which there are few substitutes. The job becomes increasingly difficult as you add more growers, or more geography, or more substitutes, or all three. There are some commodities where other market-influencing methods show more promise, at least for the present.

If shrinking the over-all agricultural plant is desirable to bring a better balance between farm production and demand -- at a higher price level -- then cooperative bargaining is not the way to achieve it.

We have learned that we can exercise intraseasonal supply control by determining what grades can be sold season by season; we also can destroy some of the crop, or exercise some control over the amount of acreage or commodity contracted for by processors; we can divert some of the supply into secondary uses; and we can help farmers' market plans by better supply forecasts and member education.

But if intraseasonal supply control -- or other bargaining activities -- create an unusually good or stable market, then other conditions arise to chop away at the magnitude of the achievement:

* So many farmers may be encouraged to enter the market with so much supply that the intraseasonal supply control measures break down.

* Competing products both from within agriculture and without -- and foreign products -- can take over a larger and larger part of your market.

* The higher prices may become capitalized into the price of the land and into the mechanization complex that is built on the foundation of the price level that you have achieved.

What we arrive at is the inescapable conclusion that we can go only so far in escaping the economic forces of the market. There is a built-in limit on what we can achieve by cooperative bargaining power -- and the same limit applies to what can be done through direct legislative control. (A further restriction on direct legislative control is that there is a limit to the controls that farmers will accept, and there is a limit to the money that Congress will appropriate and the public will support.)

We soon come, then, to operate in a climate of understanding. Man's lot, we come to realize, is to endure some degree of pain in life. This emerges as physical pain in the form of thirst, hunger, hurt; or the mental pain of anguish, sorrow, frustration, or even the learning process itself. There is also the social pain of loneliness, lack of recognition, responsibility and adjustment. There is even a moral pain of the stricken conscience and the endless pursuit of religious satisfaction. Then, finally, there is the economic pain of want and adjustment.

Man has found no sane way to avoid completely these various pains in life. And it is probably just as well; because it is from pain that man makes progress. A pursuit of the lesser pains paves the road to success.

If we approach cooperative bargaining power with this sobering realization, then we do not overestimate what we can accomplish, nor do we underestimate the size of the job before us.

We have learned that market power comes in various shapes and sizes. Competition in agriculture exists at various levels: (1) the competition of one farmer against other farmers in the market place; (2) the competition of one farm commodity against other commodities in the market -- agriculture does not march forward in lock step; (3) the competition of all of agriculture in relation to non-agriculture in the economy; and (4) the competition between the farmer, the commodity, and the whole of agriculture against buyers in the market.

There will be these various kinds of competition as long as one farmer's products can substitute for those of another farmer; as long as one farm commodity can substitute for agricultural commodities; and as long as buyers handle farm commodities.

Just as there are these various kinds of competition, so are there several kinds of bargaining power designed to meet this competition.

It follows, then, that under various conditions of competition, you can influence your price, the quantities sold, and marketing conditions in many ways.

We can achieve some market power through quality -- by earning greater acceptability for our products and by doing a better job of supplying the market with what it wants. We can get power through greater knowledge of the marketing process itself. There is power in getting to the right buyers at the right time. There is power in promoting your product. There is power in research. There is power in control over the rate at which the product reaches the market. There is power in diverting the product into various uses. There is power in marketing enough as a group to diminish the power that other marketers have over the market. There

is power in assembling large quantities of supply. There is power in providing some services for the processor. There is power in producer education. There is power in developing a reputation for honesty and fair play. There is power in establishing a legislative climate that brings processors to the bargaining conference and dissuades them from discriminating against you because of your efforts to achieve group strength. And there is power in controlling the supply.

Power to do what? Power to influence the market price and/or marketing conditions -- which is the goal of group bargaining.

I intentionally put supply control at the end of this sizable -- and still incomplete -- list because there is a widespread notion throughout agriculture that the only way to achieve group bargaining market power is to control supply; and likewise, there is a mistaken notion that unless you do control supply you don't have bargaining power. Both notions are wrong, as you have proven so well in your own bargaining activities.

We have learned that the labor union method doesn't work. Farmers cannot afford to withhold their product from the market as labor does in a strike. A farmer is marketing more than his labor -- he is marketing a product backed by a sizable capital investment. It is not at all unusual for a farmer to have more than $100,000 of capital invested -- with the return on that capital sometimes limited to marketing one product over a short period of time.

When a farmer withholds products from the market, and those products spoil while he is doing it, he has thrown away not just his labor, but a sizable capital cost as well. In the meantime, his costs go on -- and they are more than the costs of his living expenses, as with labor during strikes. When a farmer is cut off from income, his living costs and his business costs mount. Not many farmers can endure this for very long.

Further, farmers do not have the supplemental aids to carry them through a withholding action, such as labor has to carry them through a strike. Farmers cannot draw unemployment compensation, as labor sometimes does during a labor dispute. Farmers cannot take odd jobs to earn spending money during a withholding, as some workers can do during a strike (farmers' farm work goes on the same as always during a withholding). Farm groups have never had the income necessary to build up "war chests" as labor groups have done in preparation for strikes.

When farmers withhold products from the market for a while, and those products are coming on the market as soon as the "action" is over -- they are in a very weak position. The supply merely increases -- as when hogs gain weight through a withholding. If the market was weak before because of oversupply, it is going to be even weaker when the additional supply comes on the market after the withholding action.

Labor unions strike with the likely assurance that if a wage increase is won it will be permanent. Farmers can't be assured that an increase in prices won by bargaining action is as permanent a thing.

When unrealistic labor demands force up prices of the finished product, making it lose out in the competitive market place, with the result that fewer workers are needed, labor has fair mobility. Their transition is aided by seniority, unemployment compensation, job placement, and job training. Farmers who overprice their product, which then loses out in the competitive market, have neither the mobility of resources, nor the transitional aids that are enjoyed by labor.

In short, in agriculture force is not a substitute for reason.

We have learned to bring intelligence, restraint, knowledge, and good judgment to the bargaining conference. We have learned as Ralph B. Bunje, Manager of the California Canning Peach Association, has put it so well, that cooperative bargaining is a business tool and not an economic weapon.

---Cooperative bargaining must work with the laws of economics and within the mechanism of the market -- not against them.

---There is no magic by which we can avoid the plain, cold economic facts of the market: A product must be wanted by consumers; it must be competitive in price; it must be dependable in quality; and it must change with the times.

---In cooperative bargaining, your greatest weapon is knowledge -- concerning oncoming supply, supply in the pipelines, competition, and demand.

---In cooperative bargaining, your greatest asset is dependability. Today's wild charges, outrageous demands, unrealistic ultimatums, and broken promises breed tomorrow's distrust -- and harden the other man at the conference table.

---A valuable adjunct to a well-run cooperative bargaining group is that the members really get to understand the market, its needs, the importance of quality, and the danger of overpricing that encourages substitutes or loses customers. Members come to appreciate that a product isn't sold until the ultimate consumer buys it and that the middleman needs to make a profit or he won't be selling your product very long.

If the processor doesn't make money, you aren't on very solid ground. Lack of profit in the market channel inevitably leads to poor promotion, lack of research into new products and new methods, and poor salesmanship and lack-lustre merchandising.

---Cooperative bargaining associations have learned that they can strengthen themselves by becoming "service-minded." The aim is to provide enough service so that growers will want to belong and processors won't want to function without you. The association can service members with group insurance, improved seed stock, bookkeeping, tax help, group supplies, hauling, and similar services. It can offer services that are vital to processors: quality control, field activity, member education, guarantee of supply.

---Cooperative bargaining can strengthen the market for its product by promotion, partly from producer proceeds and partly from processor contributions. This may not increase total farm income of all of agriculture and it may substitute one farm product for another; but it is sound for those doing it and is in the best interests of those producers who have the initiative to do such promotion.

---We have learned that the best price may not necessarily be the highest price. The best price is one that will move the volume that will bring farmers the greatest income over a period of several years.

---We have learned that group bargaining can achieve market power for the group, yet preserve individual independence and freedom. The right to produce is still determined by the individual farmer's ambition and management -- circumscribed only by his responsibility to meet the negotiated demands for quality or other characteristics.

---We have learned that cooperative bargaining can use the machinery of Government to enforce certain decisions arrived at through a vote of the producers involved. But we have also learned not to put too much decision-making in the hands of Government.

---We have learned that if responsible groups don't develop bargaining power, then irresponsible groups will try -- giving a bad name to the more responsible efforts.

Mistakes in Group Bargaining

All of us have seen some abortive attempts at group bargaining. Some failed because they did not have adequate preparation and support, or the leadership fell short. Others were destined to fail before they started because their concepts and methods were out of step with the fundamentals of effective group bargaining.

I would like to take time to refer to a recent attempt at group bargaining -- the National Farmers Organization.

A year ago at this meeting, Dr. Sidney Hoos of the University of California, who has been academically closer to successful group bargaining than any other person, said this:

> "If the National Farmers Organization were to go forward with a widespread coercive and militant strike program, it is bound to fail in the longer run. When their house falls, there may well be reactions also toward cooperative bargaining associations as they now operate in fruits and vegetables."

I would like to go farther with his analysis. I shall not belittle the circumstances that give rise to the NFO. Most of the people who are parties to this action are undergoing a painful economic experience. They are not living as well as they should. It is not only a matter of inadequate farm prices for their products, but a matter of economic resources -- of which most of them have too little. These circumstances lead to an unrest and an urge to take matters into their own hands and do something about it. We can all sympathize with that; it is what has brought us to this meeting.

But, to call an all-out holding action when the NFO has control of so small a part of national supplies is like blowing to stop a hurricane.

The plain economic facts are that, as much as we'd like to have $22.75 hogs and $32.45 cattle (the price aims of the NFO in last fall's withholding), we can have them only when the market conditions will support these prices.

And price guarantees of this nature will soon bring out an avalanche of hogs and cattle.

The NFO leadership indicates that it would run a surplus disposal program to take care of excess production -- it would divert the excess to underprivileged groups, school lunch programs, and distressed areas overseas. We might ask whether the Government at the present time isn't already doing far more than the NFO might to siphon off production through these same means.

The NFO leadership further indicates that if farmers receive a good price for their products, they will produce less instead of more. I am afraid that this is very wishful, fuzzy thinking. Ask any farmer if he will produce more wheat at $1 a bushel or at $2.50. Ask any hog raiser if he will produce more hogs at $12 a hundred or at $20 a hundred. Just look at the hog and cattle cycles of the past noting what happened as prices went up and down.

There are two old saws that have done so much harm to straight thinking that perhaps some day we can lay them to rest. The two are: (1) that farmers raise less when the price goes up; and (2) that whenever there are hungry people in the world there is no such thing as overproduction -- only poor distribution. If hungry people can buy and pay for food that is in excess, then the ever-searching, ever-probing distribution system will quickly find them.

If the NFO program is based on an unsound approach, whose fault is it? We might suggest these:

1. It is the failure of NFO to develop realistic and effective programs.

2. It is the failure of our educational system -- particularly of our high schools who don't teach enough economic principles to stick in your eye.

3. It is the failure of our land-grant institutions who are afraid, or unequipped, to come to grips adequately with everyday controversial policy and marketing programs.

4. It is the failure of politicians who prey on unrest and disappointment by spreading a salve that drips with sympathy and promises -- but which falls short of constructive action to rectify the distress.

5. It is the failure of some of the State Farm Bureaus -- which all together represent more than three out of four farmers in general farm organizations -- to stand up to the situation in some Midwest areas and courageously fight for market understanding.

6. It is the failure of the farm press, and I include my own magazine, to do enough to help educate farmers outside of the general area of farm production.

The Legislative Danger

Whereas farmers will want the Government to perform valuable services in connection with their bargaining activities, they should not let the initiative pass from their own hands.

Farmers should be wary of any effort -- whether it be by the Federal or state Government or by a private group -- to take from farmers themselves the right to initiate marketing order activity, elect and maintain in office their own commodity representatives, negotiate terms of their own making, and confirm or deny decisions through their own vote. These functions should take place in an atmosphere of enlightenment, through fair and democratic processes, and in circumstances devoid of force and fear or political intervention.

My acquaintance with marketing orders has always led me to believe that the commodity groups who have fostered them have done so with the idea that the commodity would initiate the action; that the commodity would organize itself; that the commodity would call on the Government to act primarily as a referee to protect the public interest and to furnish only those governmental powers asked for -- such as impartial inspection, collection services, and court procedure to carry out fines.

I have little faith that very much progress will be made in achieving a favorable legislative climate for the development of group-action farmer bargaining power except as it is fashioned by farmers' own hands and is petitioned for by farmers' representatives.

Cooperative bargaining doesn't guarantee a living for every farmer, or good prices all the time or for every product. It doesn't freeze present farm sizes, relationships between products, or present prices. It doesn't stop economic adjustment. It is not Utopia. But the future of this approach holds more promise for farmers, their freedom, their rights, and their destiny than does the alternative route of marching deeper and deeper into the grasp of the political quicksand.

PANEL: ECONOMIC INFORMATION AND PRICING

Statement by J. Ward Cooper, Manager, Apple Department
American Agricultural Marketing Association
Chicago, Illinois

There is a perpetual need for understandable and accurate economic information. All of us engaged in marketing agricultural commodities find that at times our "crystal ball" is a bit cloudy.

Information is necessary regarding crop estimates, stocks on hand, movement, competing commodities, current prices of both fresh and processed apples, and the general condition of the U. S. economy. Several sources are used to obtain the necessary data. The U. S. Department of Agriculture, the National Canners Association, trade publications, and individuals in ours and related fields have all been consulted.

Looking at the processing apple industry we find research shows that four factors have a significant bearing on the price for raw fruit. These are: (1) Estimated production, (2) carryover, (3) price of fresh apples, and (4) consumer income.

An equation using the aforementioned items has been developed and was used in 1962 by the Apple Advisory Committee of the American Agricultural Marketing Association. A trend variable also was considered. This variable is a negative figure because the price of processing apples has shown a decline over the past several years.

Pricing our product requires a careful analysis of all factors which have any effect on the market situation. The formula previously referred to was worked out and at the same time its limitations were recognized. Of necessity, all the factors in the equation are historical. Prices worked out and offered by a marketing association must deal with present and future circumstances. Price schedules must offer long-range profit opportunities for efficient growers and efficient processors.

A philosophy of the American Agricultural Marketing Association is that net income is at the heart of the marketing program. Prices must have sufficient opportunity to move up and down to clear the market. At the same time, however, additional stability must be sought. Wide fluctuations between production areas and within a marketing year should be controlled.

In the past year, economic and pricing information has been sought from several sources. Agricultural economists, apple sellers, independent and cooperative processors, and the U. S. Department of Agriculture all have made valuable contributions. We expect to use these and other sources in the 1963 marketing year.

We trust that meetings such as this will enlarge our storehouse of knowledge. We hope to be able to use the knowledge well and thus have a favorable effect on growers' net income.

Statement by Walter R. Collett, Executive Secretary,
Oregon Vegetable and Fruit Growers Association,
Salem, Oregon

In seeking a pricing schedule, it is an absolute necessity to obtain economic information to be realistic. To be realistic is not always in line with the thinking of a good many producers because in an uncontrolled agricultural economy, realism at the pricing table does not always mean profits for the producer. Yet realism is essential to come to an acceptable conclusion at any bargaining table.

To be realistic needs the analysis of all economic data available which affect a given commodity. At the bargaining table it is necessary for the bargaining committee to know and insist on getting what the market will stand as far as pricing is concerned, in order to fulfill the obligation of the association to its members. To know what the market will stand requires a year-round contact with the commodity movement--competition from other commodities--competition from other areas--freight differentials--crop carry-overs and possible consumption.

Competition from other areas needs careful analysis--particularly so when a commodity enjoys national distribution. Personal contacts with competitive areas is essential to keep in an informed position as far as production costs, recovery,or pack-out is concerned. We must know, too, the consistency with which a commodity can be produced in a given area.

Gathering this information is time consuming and ofttimes expensive, but it is of the utmost importance to the bargaining association. Packers are constantly looking for new areas of production and better quality products. A producer's organization must be careful in its approach to a pricing situation that it does not put its producers in jeopardy by seeking more than the market will stand. A knowledge of quality differences in geographic areas is of utmost importance because quality packers with national distribution--under quality brand names--are often willing to pay more for quality green products.

Alert State land-grant colleges in every growing area are constantly trying to better their competitive position by experiments and plant breeding programs. Their progress in competitive commodities--and in competitive areas--must be known by a bargaining association if management is alert to the necessity of a long-range progressive program. To be aware of growing problems of other growing areas, such as new disease infestation and others, is also necessary because it may well mean the shift of production.

Any condition that increases or decreases production costs of any given commodity can enhance or detract from the position of members of a bargaining association. The management needs to be in an informed position concerning these important factors.

Buying habits of food distributors and retailers have changed and will continue to change. These changes can mean that commodity statistics do not indicate the same economic position of a given commodity today that they would have done a year or two ago. A sudden strong movement may not mean strong consumer demand but instead distress selling or the dumping of poor-quality merchandise.

Constant communion with people in the trade is necessary to the effective bargainer. I need not emphasize the importance of scrutinizing all trade journals and financial publications nor remind you of the effect on buyers when there is fluctuation in the securities market during negotiation periods.

The need for obtaining economic information is apparent. There are, however, problems in obtaining some of this information. Actual processing costs in any given plant, commodity by commodity, is hard to come by. Processors' profits--storage and handling costs--are some of the changing factors that need to be considered and reemphasized. To be realistic one needs all the information. This information is available. The wisdom to assimilate, digest, and use it effectively is one of the greatest problems of the successful bargainer.

Statement by David Orth, Director
California Canning Peach Association
San Francisco, California

Our bargaining association benefits cling peach growers in many ways, but the most important thing that we try hardest to achieve each year is to set a fair price for the industry. To do this we study pack figures on peaches, and all other major competing fruits. Also, in this analysis we take into consideration the economic factors of the industry, and even the Gross National Product of the Nation.

1962 was one of the most difficult in many years. One-fifth of our crop was picked before we had established a price, and the lowest opening prices to the trade in many years had been announced previously. It took almost 4 months of negotiation to complete our pricing function. This was brought about mainly when our joint marketing order between growers and canners became unworkable as to control of supply so vital in pricing negotiations with the canners. Estimated returns to the growers ranged as low as $30 to $35 a ton in the Wall Street Journal. With this wind of disaster breathing hard upon the cling peach growers, they signed up a producer marketing order in just 14 days. We eliminated 13 percent of the crop and finally received a reasonable price of $65 a ton. The value of this marketing order to cling peach growers was over $10 million. In the years ahead farmer control of the supply is a must.

PANEL: NEGOTIATING TECHNIQUES

Statement by Robert E. Collins, President
California Canning Pear Association
San Francisco, California

A discussion of this subject must be rather general in nature, as obviously these techniques will vary considerably depending upon the type of product; but I do think that there are some points that are common to all.

Probably first of these would be a sound background of the economics involved as was discussed by the previous panel. Certainly, no board is in the position to decide which of the various techniques may be applicable without this knowledge.

Second might be the means of communication to members to keep them informed on the issues. Without this flow of information and understanding of the issues, the backing of the membership is lost; and without this backing, the cooperative is lost.

There is a third item I have not heard mentioned that I think is essential, also, and that is a goal. What is the goal of your bargaining cooperative? Is it to secure the highest possible price--or cost of production plus a profit--or is it stability? Obviously, a cooperative setting out with the objective of securing the highest possible price is going to use a different set of techniques, and a much more short-range approach than a cooperative that embarks on an objective of stability.

Actually, the goals of a bargaining cooperative are fairly limited and tend to be about the same--to secure a price consistent with the economics within which both buyer and seller can exist. But the true value of a goal to both directors and members is in the learning process in the choice of this goal and the choosing of this goal.

In considering the objectives, there must be a weighing of what is possible with what is desirable and a full exploration of the limitations of a voluntary cooperative in achieving these ends. Future misunderstandings and bitterness can be avoided if there is a clear understanding of the function of a bargaining cooperative and its position in the industry picture.

There is a widely held belief among farmers, and this includes some directors of bargaining cooperatives, that power and strength are synonymous with price. No way has yet been developed by which we can circumvent the laws of economics through the use of force on the market except on a very short-term basis, and this lesson cannot be learned too early.

Having these three factors in mind--a sound background of economic knowledge, the means of communicating it to membership, and a definite goal as an objective--a bargaining group may then turn to selecting some of the specific tools for securing recognition.

First among these is membership. To be effective there must be a large enough share of the product represented by the organization to force recognition. If the buyer is able to bypass the newly formed group in filling out his needs, then the road will be extremely difficult. In other words, unless there is some very special condition that exists that would insure success, negotiations should not be attempted until enough growers have indicated the need for a cooperative by their membership.

Second is a membership agreement with the growers sufficiently binding to give the bargaining cooperative control over the allocation and delivery of the product. Unless this is done, it is possible for buyers and sellers to make separate agreements outside of the association, thus destroying the effectiveness of the organization.

I have already referred to the importance of economic information. The third tool which I would consider essential is some specific agency or agencies by which this economic information can be assembled in order that the directors may meet the buyer with a background of information equal to that of the buyer.

Fourth, and in the long run equal in importance to any of the other points, is a sense of responsibility and stability in all the actions of the board that will continue and enhance the recognition which the original membership tonnage was able to bring about.

There are many additional power tools to be used in negotiating, depending upon the type of product. Pooling, by which all members share in the end result on an equal basis, is perhaps the most widely used of these.

The use of a reserve fund deducted from the proceeds of the sale of the product is another; actually, this is almost identical with pooling, except in this instance the pooling is of money rather than of product.

A widely discussed technique of negotiating this past year has been the withholding action of the National Farmers Organization. In my opinion, this is not a constructive means of bargaining and is self-defeating in the long run. Farmers differ from industry in that their plant continues to operate 24 hours a day even during these withholding or strike action periods, thus making the solution more complex as the withholding continues.

In conclusion then, I have mentioned several factors that I feel are negotiating techniques. These have not been the overpowering nor coercive type actions that have become identified with bargaining in the labor forces. But rather these are a set of guidelines requiring a sense of responsibility and discipline by members.

The effect of these disciplines in any one year may not secure the returns to which we may feel entitled. But over a period of time, I am convinced that the steady force of a large group of producers--asking what is fair and working together in an intelligent and constructive manner--will be able to obtain a fair share of the proceeds of the market. We are not entitled to more and we should not be content with less.

Statement by John C. York, Executive Secretary
Eastern Milk Producers Cooperative Association, Inc.
Syracuse, New York

The matter of negotiating techniques between producer and processor becomes more and more important as we develop greater specialization in our system of producing and marketing farm commodities.

I should like to discuss here the application of negotiating techniques from the point of view of those who are the producers of a commodity.

It should be remembered that negotiation is basically an attempt to reach an area of agreement between two parties upon some specific questions regarding the production and marketing of a commodity. It is basically a "trade" that is made between two parties--or,it might be described as a bargaining process in which two parties try to reach an agreement on the terms of doing business together.

Producers should first examine what they have to bargain with or what they have to "trade." For example, they should consider what they have to offer in the way of quality of the product they are producing, or the production of the product in line with seasonal demands. They might consider what they could do to assist in improving the operating efficiency of the handler. After they have made a careful analysis of their best bargaining points, they should then select those which will be the most effective.

If producers are to effectively apply the techniques of negotiating, they should first have developed an adequate understanding and knowledge not only of their own problems but those of the processor as well. The processor then will have greater respect for the producer's viewpoint and will look upon the cooperative as a responsible group.

Moreover, if there is lack of producer understanding of the processor's problems, it is possible that the processor could mislead or "stampede" the producers during a negotiating session. However, on the other hand if the producers underestimate the handler's problems they might become over zealous and unrealistic in their demands, which likely would antagonize the processor to the point where he rebels against doing anything constructive.

One of the basic needs for effective cooperative negotiating, therefore, is to have an alert and well-informed producer membership. If the membership is alert to all the problems, it would be further expected that there would then be a unity of interest among them. When negotiations are taking place, all the producers will then be basically in agreement on their objectives and can provide a more unified force in presenting their views to the processor.

Perhaps it is well for the producers to have an ace in the hole; namely, a secondary position or an alternative solution that they may move to in the event that negotiation of their basic objective is stalemated. Again unity among the producers is essential to prevent the processor from invading the ranks and playing one against the other.

The strategy of negotiation, of course, should be narrowed down to some very specific techniques.

1. The processor should have the opportunity to present his views to all the producers. This will enable the processor to be well understood by the producers and in turn will give him an opportunity to learn and understand the unified viewpoint of all the producers -- and the problems they are confronted with.

2. The results of negotiation should be narrowed down to a contract in writing. This will eliminate confusion and misunderstanding. The contract should be carefully drawn and reviewed by trained personnel who are experienced in such matters.

3. Negotiations should be carried on insofar as possible during that season of the year when the product is in the shortest supply, thereby giving the producers greater bargaining power. The termination date of the written contract should likewise fall during the period when the production of the commodity is in shortest supply.

The application of these specific techniques of negotiating can be materially enhanced if the cooperative has trained personnel and the facilities to keep closely in touch with current market conditions both locally and nationally. Such things as prices, supply and demand, alternative markets, processing costs, production costs, and so on should be well known to the producers and their cooperative if they are to be able to "start even" in their negotiations.

I would like to relate here an experience in our New York Dairy Milkshed which illustrates the importance of narrowing the results of negotiations down to a written contract. A group of producers had understood during the course of negotiations with a particular milk processor that he would pay the competitive prices in the area. The area that they were talking about was not specifically defined and the competitors that were to be taken into consideration were not listed.

After a period of time had elapsed, the premium that the processor was paying to the producers was discontinued. The producers believed that they were entitled to this premium since some adjoining milk plant operators were still paying premiums. After a long argument between the producers and the handler without solution, the producers hired a local lawyer who unfortunately was not adequately familiar with milk marketing or the details of the case. They filed a complaint with the Commissioner of Agriculture and Markets urging him to make an investigation of the problem.

The complaint eventually was brought to a hearing but the Commissioner could not conclude that the agreement the producers thought had been negotiated was adequate. The producers had made the mistake not only of failing to reduce their negotiations down to a written contract but also in not relying upon trained personnel in their cooperative organization to lead them and assist them in their negotiations.

These basic techniques of negotiations, as just discussed, are largely directed toward effectuating conditions within a specific locality between producers and processors. Other areas and techniques of negotiation are effective on a larger scale at different levels. The implementation of negotiating techniques in the dairy industry, for instance, is accomplished largely through the federal milk marketing order procedure. The hearing room is actually a bargaining session -- a particular type of negotiating where all interested parties have the opportunity to express their views, from which there is then developed a decision, or "marketing agreement."

Legislation such as that established in many States is still another means of implementing negotiating techniques. Further clarification, through legislation, of the bargaining rights of cooperative organizations, which would enable them to negotiate more effectively, needs yet to be provided. This is particularly important where cooperatives may become affected by the Unfair Trade Practice Laws.

Perhaps the most significant technique of negotiating comes down to the importance of both parties understanding the problem. This, of course, is compounded on the part of the producers because in many instances they represent a large number of widely scattered individuals as opposed to the processor who may be a single individual.

It should be emphasized that it is the producer's responsibility not only to inform himself but to make sure that the processor is informed of the producer's problem.

An effective cooperative organization with a continuing program of producer-processor relations can be of significant value in this connection. Producers cannot expect or hope that the processor will have the interest or make the effort in acquainting himself with producers' problems.

In summary, an alert membership with unity of purpose and interest, well-trained and capable producer leaders and spokesmen, a free flow of views between the two parties involved, and reducing the results of negotiation to a written contract represent the important techniques for successful cooperative bargaining.

PANEL: MEMBERSHIP RELATIONS

Statement by John Handy, President
Great Lakes Cherry Producers Marketing Co-op
Grand Rapids, Michigan

Membership relations of a bargaining cooperative are directly tied to two things--action and results. A bargaining cooperative by its nature is an action agency. These actions and their results are the most important factors in maintaining and attracting membership. Truly, action speaks louder than words to most members of a bargaining co-op.

And yet The Word must be spoken. Understanding, comprehension and communication must exist between member and organization. This is the work of membership relations.

Fieldmen, making personal contact, are essential in the membership relations of Great Lakes Cherry Producers. We devote a large share of our budget to them. Our 2,500 members are spread over five States, with some members in two more. We now have five fieldmen. They have two-way radios, sending out and bringing in information. They supply personal contact, meet criticisms and misunderstandings, gain new members, and enable us to act in emergencies.

Fieldmen have helped keep Great Lakes Cherry Producers alive, growing, and able to carry out an expanding program. We have far fewer fieldmen than processors, but our fieldmen meet more people, have more responsibility, take more initiative.

The written Word is also necessary. A membership letter, called Tart Talk, goes out frequently during peak activity in June and July, less often the rest of the year. This brings more information to our members than any other source. It also presents the reasoning of the manager and the board of directors. It presents the public policy of the cooperative. It should be read by every member, who should then respond if he strongly agrees or disagrees. This does not happen often enough. The written word is a one-way street.

Public meetings are held annually in each district to conduct business. Spot meetings are held for problem areas or programs. These are very important in member relations. Our organization and policies are tested in public discussion. Members can participate, debate, decide. Nonmembers can be reached.

Obviously, all public activity of our organization has an effect on our members and the industry. If this activity is directed toward desirable ends, is well planned and performed, simple reporting should result in good membership relations. On the other hand, an elaborate information and sales program will not long satisfy a membership looking for action and results, if these are lacking.

Statement by S. C. Cashman, General Manager
Ohio Agricultural Marketing Association
Columbus, Ohio

A good membership relations program is essential in building and maintaining an effective organization. It is particularly important to bargaining associations because of their controversial nature and the need for consistent and solid membership support.

I know of some organizations that contact their members about once each year--that's when they announce their annual meetings. For most bargaining associations, such neglect would mean a decline in membership, reduced effectiveness, and almost--if not certain--death. This is to say that a good membership relations program is an absolute necessity for bargaining associations, if they are to suceeed.

Our membership relations program has five major objectives. I shall mention these and say a few words about each one.

1. To Inform Members on Matters Affecting the Crop, the Market and the Association.--Knowledge tends to displace fear and build security. The better informed we are the more confidence we have in ourselves and in our organization. Informed members are prepared not only to defend what they are doing but to sell the program to others. Keeping members well informed is extremely important if we are to counteract the effect of the personal contacts made with members by company fieldmen, who far outnumber our professional staff.

2. To Involve Directors and Members in the Development and Execution of Programs and Activities of the Organization.--There is no better way for a member to become informed, to understand and appreciate his organization, than to become involved in a meaningful way in helping to achieve the organization's objectives. Hired personnel can and must create the climate, the settings, and some of the motivation for membership participation. In addition, they need to help organize, direct, and coordinate the activities of members.

3. To Create a Favorable Image of the Organization with Nonmembers as Well as Members.--Most of us who join an organization want to feel that it is doing something. People respect and admire organizations that are on the move.

We want all farmers--in the tomato growing area, for example--to give moral support to the bargaining association. Unless they do, our job becomes more difficult; processors will find new growers and pass up association members. Every communication tool should be employed to help create an image of an organization doing things. Farm Bureau in our State provides many resources for getting the moral support and help of other farmers.

4. To Develop an Understanding of the Value and Importance of the Crop Produced and Processed in the Area.--Activity in line with this objective builds grower prestige, and good feeling toward the association.

Northwest Ohio, for example, has been looked upon as a corn-hog area. Few people realize that in some counties, tomatoes account for a sizeable chunk of farm income and for employment of many people in tomato production and processing. Much can be done to have tomatoes recognized as an important crop in this part of the State.

5. To Promote the Cooperative Philosophy.--We need to continually point out to members and others the results achieved through cooperative effort. They need to know, in spite of what processor representatives may tell them, that the processors believe in cooperative effort when it serves their needs. Processors' efforts to pool their resources to influence legislation, through State and national membership organizations of canners, is well known. I see little difference between this and farmers organizing to influence economic conditions affecting them. Yet, we continue to hear people questioning the need for a growers' organization.

Success in raising hamper limitations and average acre yields of tomatoes in processor contracts are examples of achievements of grower associations. These should be pointed out to growers in terms of what they mean in dollars and cents to each grower.

I have listed a few of the objectives--now a little about what we do to achieve them.

1. Send regular newsletters ("Tomato Vine").
2. Prepare and send releases to County Farm Bureau papers, State Farm Bureau publications, 70 newspapers, and five radio and three television stations.
3. Hold meetings; for example, those around plants, annual conferences, a special--Tomatorama, and Farm Bureau annual meetings, councils, regional meetings, and so on.
4. Emphasize personal contacts by individual members, board members and staff.
5. Many other activities are carried on providing for member-participation. Examples are membership drives, contests (recipe, queen, production, public relations), tours, exhibits, youthpower, and so on.

Like any farm crop, membership of an organization responds favorably to proper care and cultivation. Furthermore, if we are to achieve a sort of hybrid vigor and develop grower resistance to unfavorable propaganda, we need a lot of cross-pollination between the strong and the weak. This can be done through a well-conceived, imaginative, and aggressive membership relations program that provides adequate opportunity and the proper motivation for broad membership participation. Others have done this job. We can do it, too! Let's be about it!

PANEL: PRESS AND PUBLIC RELATIONS

Statement by R. Keith Reeve, President
California Tomato Growers Association
Stockton, California

Farmers generally have become more efficient and more businesslike in recent years. They've accomplished this through increased production, mechanization, and cooperative efforts. But even though farmers have accomplished a great deal in these areas, they have left too many voids in their press and public relations program. It has always been difficult for farmers to realize the importance of an adequate effort of this kind.

But to the many bargaining cooperatives it is a significant fact that a favorable climate must be created in order to successfully bargain; and I speak of a climate with the press and consumer public so they might more fully understand the problems facing a farm group before they attempt to bargain.

To have an adequate press relationship is often very difficult for an agricultural group. A newspaper is in business to make a profit. To make a profit they need subscribers, and by far the majority of subscribers are from the large and medium urban areas. This means a newspaper must consider the kind of print this group would be most receptive to. So to convince a news service or newspaper to carry on an information program for a comparatively small group of farmers is indeed a difficult task.

Even after becoming established with the press, the public does not automatically subscribe to the farmer's problems. In fact, sometimes an article explaining the farmer's point of view in asking for a better raw product price for a particular commodity is immediately taken by the consumer as an indication of higher prices for food, and this is never popular. These are just a few of the problems facing agriculture in attaining public acceptance.

Let's consider for a few minutes the methods used in setting up an adequate program of this kind. One method is to hire a professional public relations organization; another is to install in your own staff a public relations program; and, of cource, a combination of these two techniques is often used.

Each system has its advantages. For instance, the use of a professional organization gets you on the road much sooner, as they are already established with the press; they also usually know how to approach the many problems that normally occur in getting started.

Later, after your own staff has gained adequate knowledge, a satisfactory program may be initiated from within your own group. One obvious advantage of this arrangement is the more intimate relationship that you enjoy both with the people you contact and the information transferred. Most associations, after establishing their program, carry on most of their activities themselves and employ a professional group for specific jobs. This seems to work satisfactorily.

Regardless of how you attempt your own activities in the field of public relations, they can be successful if you develop a reputation of honesty and sincerity, with proper respect and consideration for all the various segments of our economy and society. And this is most important.

In our own California Tomato Growers Association, we have employed both methods from time to time, and with success. We learned a great deal from the professional group and have since used many of their approaches. They were instrumental in starting a publication for us. Our staff followed up, doing a fine job publishing the magazine. Incidentally, our magazine has been tremendously successful, both from the standpoint of the public and our own membership.

It might be well to mention the California Council of Growers. Here is an organization founded primarily to furnish a continuous effort in the field of public relations for agriculture and to help instill in the public a proper image of agriculture. A recently completed film, "Horizon," produced by this group will do a great deal in this direction.

I would like to close with a note of optimism regarding the future of an expanded press and public relations program in agriculture. It's obvious that farmers are becoming more aware of this need and with the expanding organizational effort being made and meetings such as this one, the results will be compounded in the future.

Statement by Alvah W. Severson, Chief
Bureau of Market Reporting and Cooperatives
State Department of Agriculture
Trenton, New Jersey

Discussion of press and public relations for bargaining cooperatives could be developed on a review of other national organizations and their press and public relations.

Labor, for instance, has a press relationship which to my mind is not favorable to labor. The press has been emphasizing the strike aspects of labor bargaining, which in most cases has a terrorizing influence on the public. For instance, in Philadelphia we had the ominous shadow of a transportation strike. Loss of transportation facilities to the Christmas shoppers would have had disastrous effects on the economy of the Philadelphia area.

To offset this type of publicity, national labor organizations sponsor news broadcasts and news releases slanted to labor's good face.

Let's take a look at corporation press and public relations. The press has financial analysts who emphasize the ability of corporations to declare extra dividends, assess results of mergers, and occasionally through financial articles, emphasize the inability of corporations to meet their dividend payments. Corporation public relations firms usually are used to get publicity for new products or to correct an unfavorable image.

Agriculture as such has lost a place in such publications unless there is a drought or freeze that might affect the food basket of the consumer. For instance, the recent freeze in Florida received many inches of reporting -- primarily because it probably would not only increase the cost of foods such as fruits and vegetables and eggs, but also the number of production hours of labor needed to buy agricultural products.

To my mind the press too often emphasizes the prices of agricultural products per se as the reason for increases in the cost of living index but does not credit agriculture for holding the line.

Let's leave the foregoing and look at what we can do. Several of our New Jersey County Boards of Agriculture, in conjunction with other farmer associations and cooperatives, have an agricultural tour to which editors of local and city newspapers, farm program directors of radio and television stations, and station managers of the smaller local stations are invited. Surprisingly, these invitations are not only accepted but eagerly sought. Possibly this is because the tours are well planned or because of the excellent meals provided for the guests. In any event, the contact makes it possible to get an agricultural story across to these influential press people.

Now let's go to the cooperative image. If we have a marketing cooperative or a purchasing cooperative, we have a cooperative image on main street. For this reason in New Jersey and elsewhere, we have a story that any news agency can collect as a news item that might be complimentary to cooperatives. On the other hand, if they are not co-op oriented, they might not even consider an item for publication.

As to bargaining cooperatives, there is no main street image. There is a void in press and public relations. How do we get our message across?

First -- we must establish our image. We must, and I am speaking for all of us, get acquainted with the editors, the farm program directors, the local ratio station managers, on a first-name basis. This is not a hat-in-hand approach but a factual relationship that gives stature to the person representing the bargaining cooperative. We must make the effort -- the approach -- to get these people on our side. Don't expect the press to seek you out if on the basis of your negotiations the price of canned peaches, canned tomato juice, canned or frozen asparagus or other commodities goes up a quarter-cent or a half-cent a unit. Believe me, if the unit went up 5 cents they would be camping on your doorstep. We must get the jump on the press.

Second, we must be factual -- we must give them production statistics that will justify our negotiating approach. We have a greater ability to produce production figures and costs than labor ever could. We are not justifying our costs on labor. We are investors and as such are entitled to a percentage on our investment plus a reasonable labor or supervisory charge against that product.

As a bargaining cooperative, we must get acquiescence from our members that the figures we are using are agreeable to them. First, because if they are not high enough, the members will not go along with our negotiations and will as they say "cut the rug out from under the cooperative."

Second, we must see that these figures are not so high that they will attract more acreage than can reasonably be used. Incidentally, this is a sure-fire caper to create chaos in any industry. But here again, price might not be the negotiating factor. It might be method of delivery, choice of varieties, hours of delivery, almost anything that the members have gripes about.

What are we selling? Let's not kid ourselves that we are going to be nice to the press and help them fill up space. In first order, I suppose we are selling the bargaining cooperative. But when we sell the cooperative we are also selling a package deal. This includes the objectives, the scope, the area, the commodities, the processing contractors with the cooperative, the research, the savings not only to the member but to the contractor, the supply, the human element, the weather, and the terms of the contract and its fairness to the member and the processor.

Sometimes a byproduct has greater public relations value than a bargaining cooperative press release. Local Grange, Kiwanis, Lions Club, and Rotary meetings and industry dinners or cook-outs are excellent places to get good public relations. For instance, the menu might read "Tomato Juice and Candied Sweet Potatoes, courtesy of Bargaining Cooperative and Contractors A, B and C."

In closing, may I say -- and I think the other members of this panel will agree -- that the sky is the limit on press and public relations. The success of your program will depend on your ability to sell the press on using your items, and your public relations will depend to a great extent on your imagination.

1962 BARGAINING DEVELOPMENTS ON THE WEST COAST

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One thing we can be sure of -- as far as bargaining developments or marketing developments on the west coast for the past season or any season -- is change.

In particular, there are three areas of specific change that affect our bargaining and marketing developments on the west coast.

1. The first is increased production and production potential. The California Crop and Livestock Reporting Service in their annual summary record a record deciduous tree fruit production for 1962. Furthermore, they state:

"California deciduous tree fruit production for 1962 totaled 2,132,680 tons, 4 percent above 1961 and breaking all previous records. In contrast, the 1961-62 citrus crop amounted to only 1,450,030 tons, 6 percent below the very light crop of 1960-61 and the lowest production since 1937-38. California growers produced a total fruit and nut crop of 6,745,610 tons, 1 percent above last year but 3 percent below average. A record high production of Clingstone peaches was set, while the Navel orange crop was the lowest since 1917-18.

"The combined value for all fruits and nuts was $577,118,000, slightly below 1961 but 10 percent above the 1951-60 average. Highest returns on record were received for Clingstone peaches and apples, and significant increases in returns were obtained by growers of apricots, grapes, and walnuts. Growers received substantially less for plums, nectarines, pears, prunes, and oranges.

"Bearing acreage of fruits and nuts in the State increased for the fifth straight year. The 1,244,700 bearing acres are the highest since 1955. Increases were most noticeable for grapes (all types), apricots, prunes, walnuts, and Clingstone peaches. The only fruit showing much reduction in the bearing acreage was Valencia oranges."

2. Another important change was recently noted at the Associated Grocery Brokers of San Francisco meeting -- a decrease in the number of processors. There is a continuing trend toward larger processors and fewer and fewer small independent packers. The U. S. Department of Agriculture reported that in 1947 there were 2,265 plants processing canned fruits and vegetables in the United States. In 1958, the year for which they have the last reliable information, the number had been reduced by 658. This pattern is most apparent in California and the Northwest.

Another point is the celebrated rate of development of the Common Market and its possible short-range and long-range effects on west coast agricultural products.

3. The third development that is of current concern to the west coast, and particularly those in the bargaining field, is the fact that packs of deciduous tree fruits have not been too profitable to processors in the past years. I should like to quote an executive of a California fruit processor.

"The year 1962 will go down in the California canning industry records as being the worst from a profit-making standpoint since 1937. What 1963 holds for canners remains to be seen. However, I can't believe the situation will be as bad as it has been. I'm convinced canners are doing a lot of sound searching in an effort to find solutions to the serious problems confronting them individually and collectively. When one is fighting for his life (and some canners are), those things considered impractical and impossible in the past become practical and possible in the light of new circumstances."

It is apparent that these conditions will continue and producers and bargaining associations must tailor their marketing programs to conform with these new ground rules. We have faced these cycles before. Perhaps one of our biggest chores is to make these facts known to our people and approach further marketing years with concern but with confidence.

COOPERATIVE BARGAINING EFFORTS IN FLORIDA

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Florida, like most other States, has had some experience with dairy bargaining associations. The first dairy bargaining association was formed in 1930 and operated in the Jacksonville milkshed. This association, the Better Milk Cooperative League, was primarily a price bargaining association. Bargaining was conventional in that producers, distributors, and consumers were represented around the bargaining table. It was short-lived because of the State's participation in fixing the price of milk.

Since the latter part of the 1930's, most pricing arrangements between producers and distributors in Florida have been determined by the Florida Milk Commission. Except for the Miami milkshed, all the important milksheds are now operating with respect to price under the Milk Commission. Any milkshed may decline the assistance of the Commission or, if now under price arrangements of the Commission, may remove itself from the supervision of the Commission at will, at least so far as price is concerned.

At the present time, there are two nonprice bargaining associations operating in the State. One of these, the Independent Dairy Farmers' Association, operates in cooperation with the Federal Milk Order covering the Miami milkshed. The other, the Velda Cooperative, operates in cooperation with the Milk Commission. Both associations are primarily supply bargaining associations.

These associations bargain with distributors on day-to-day supply requirements. The association allocates the supplies from its producers to the various distributors in accordance with needs, not only from the point of view of daily supplies, but also as to a schedule of deliveries that fits the needs of the distributors. In the event it does not have adequate supplies from its own members to meet whole milk needs of distributors, it obtains the necessary supplies from nonmember sources, either within or without the State.

The problem of allocating supplies from producer members to distributors on a day-to-day or even on an hour-to-hour basis may not be so difficult as it would be if our dairies were small. One hundred and one dairies furnish supplies for the Miami milkshed. Some of these dairies have several thousand cows -- one has about 11,000.

Vegetable Association

There is a limited amount of canning of vegetables in the State, but I know of no bargaining associations that are performing the function of price bargaining for canned vegetables. Before 1940, there were several efforts made on the part of growers to bargain with handlers of fresh vegetables, but there was no successful operation before 1950.

At the present time, we have two bargaining associations -- one for celery and one for pole beans. In recent years, Florida vegetable farms have greatly increased in size. The large size of Florida vegetable farms makes bargaining operations relatively easy. For example, in 1930 there were 553 celery farms producing 5,420 acres of celery; in 1940, 281 celery farms with 6,930 acres; in 1950, 165 farms with 9,589 acres; and in 1959, 54 farms with 13,419 acres of celery.

The 54 celery farms produced 3 or 4 times as much celery in 1959 as the 281 farms produced in 1940. Actually, 15 or 20 farms produce 98 percent of the celery at the present time. There are only 13 handlers of celery and most of these are also producers. The number of pole bean growers is much smaller than celery growers, and there are only five pole bean handlers.

In the case of celery, the industry is covered with a State marketing order that provides for annual volume controls through acreage allotments. Regulations under the marketing order not only regulate the annual supply through acreage allotments but also control the volume that may move to market either through grade and size or volume regulation.

The association fixes the price at which handlers pay producers. The price is flexible and is changed at will to meet varying marketing conditions. The interesting thing about this operation is that the price may be changed to accomodate varying volumes over a marketing period, or the volumes may be restricted to permit prices to be maintained at what is considered desirable prices.

These associations have had only 2 or 3 years' experience, but to date they have been quite successful. They need more complete information on the nature of the demand for these products. At the present time, they do not know the exact relationship between price and supply or price and consumption. More complete knowledge of the interrelation between price and supply at the retail level would be most helpful in the bargaining program. The various committees working in this program are quite cognizant of the need for this kind of information.

Citrus Associations

Almost three-quarters of a century ago (1889) the Indian River Orange Growers Association was formed, and 5 years later the Florida Fruit and Vegetable Association was formed. These were operating associations which performed such services as packing and selling. Very little is known about the success of these associations. However, the charters of both associations indicate that, among the various objectives, bargaining for price with terminal receivers was one of their functions.

The Indian River Orange Growers Association had a registered brand which apparently was used as a base quality for price bargaining. The association was short-lived, but the brand was used by one of its members (the creator of the brand) until about 1930.

In 1928, the Florida Citrus Growers Clearing House Association was formed. The association was organized under authority of the cooperative laws of the State and had no way of exercising any control over that segment of the industry that was not included in the membership of the association either as growers or handlers. It operated four seasons and is of particular interest because of the impact it has had on the citrus industry.

This association performed no service of handling fruit. It had five specific objectives: (1) Regulate the volume of fruit moving from the State in any particular marketing period; (2) regulate the volume of fruit moving to auction markets; (3) regulate quality and pack of fruit moving to market; (4) advertise and promote; and (5) fix minimum price at which designated varieties and grades of fruit could be sold in any marketing period.

The Marketing Committee of the Clearing House Association met Thursday of each week for the purpose of determining the minimum price at which specified varieties and grades of fruit could be sold on the private market (non-auction fruit) the following week. Under the terms of the contract, no handler who was a member of the Clearing House could sell fruit for less than the minimum price fixed by the Marketing Committee.

In considering the price to set for fruit, the Committee considered minimum, high, and low prices -- by variety, grade and size -- that fruit sold for the preceding week; the available supplies from Florida for next week's market; the supplies from competing areas; and any changes in the demand. Like most operations of this period, the efforts failed. However, when the Clearing House was dissolved, a small net worth was turned over to finance a committee working to secure a Federal Marketing Agreement in 1933.

Since 1933, Florida fresh citrus fruit has been continuously under a Federal Marketing Order except for a few brief periods from 1933 to 1939. One marketing order now regulates the grade and size of fruit moving from the State and provides for periods in which no shipments may be made. One order regulates the volume of Indian River fruit which may be moved in a given week.

Since 1935, the Florida Citrus Commission has advertised and promoted Florida citrus, fixed maturity standards and container standards, and has invoked embargos when conditions have warranted. (For example, the recent embargo instituted because of the freeze.) Thus, most of the things attempted by the Clearing House have since been realized through the assistance of government.

With the advent of orange concentrate, freezes in competing areas (as well as Florida now), a rapid expanding market, and changes in market structure, the industry in recent years has been confronted with conditions which appear to have been favorable to bargaining operations, although the industry was slow in making use of bargaining.

First, it was not until the advent of orange concentrate that the industry had a high-quality product on which quality controls could be maintained at high and uniform levels. Second, the marked increase in consumer purchasing power added much to the demand for a product like orange concentrate. A third condition favorable to bargaining was the large investment required for processing and a large and uniform supply of fruit to insure efficient operation. A fourth condition was the desirability of furnishing large buyers with a good processor's brand or, if they preferred, with a product on which they could use their own brand. Fifth was the ability to furnish buyers a dependable source of supplies with a delivery schedule that met their merchandising and pricing needs.

Because of freezes in competing areas, the increased demand for citrus resulting from high purchasing power of consumers, and the built-in maid service of frozen concentrate, the Florida citrus industry experienced one of the greatest increases in demand of any food product in the decade of the 1950's. Profits to growers were unbelievably high; yet growers were in a financial squeeze to bring into production additional groves and at the same time to provide investments for processing their product.

Some local cooperatives, packing and marketing fresh fruit and rendering production services were able to form federated processing and selling cooperatives for handling their processed fruit. At the present time, 5 or 6 federated processing cooperatives are doing an excellent job of processing and selling processed fruit.

However, the tonnage of fruit handled by cooperatives before the advent of orange concentrate was less than 40 percent of the total.

Before 1950, there was a considerable volume of fruit, perhaps 20 percent of the total, that was an integrated operation in which large growers or corporations were producing and marketing their own fruit. This left about 40 percent of the fruit, which the industry spoke of as being fruit without a home, or it was fruit that was not committed at the opening of the season. This was fruit which was sold cash on the tree to various types of operators (including some cooperatives) or was handled for the grower's account.

The bargaining associations have been a kind of marriage between the 40 percent no-home fruit and the private packers. One example will serve to illustrate what has taken place. I refer to the arrangement between Florida Orange Marketers and Minute Maid Corporation.

A group of large growers, originally a small group, which rapidly increased to more than 300 growers, was in need of facilities to process its fruit and a brand which could be used to expand the market for its increasing supplies. Minute Maid Corporation, with facilities and a considerable tonnage of fruit owned by it, needed additional volume in order to advertise and promote its brand effectively. It also needed additional fruit to lower its processing cost and to enable it to meet the ever-increasing specifications of large buyers.

At the present time, the Florida Orange Marketers furnishes about three-fourths of the Minute Maid fruit, with the remainder purchased in the open market by the Minute Maid Corporation. Minute Maid's own groves, which hold membership in Florida Orange Marketers and which supply about one-third of the Corporation's needs, together with the fruit of the other FOM members insure a dependable supply.

This supply, together with that which can be purchased as market prices justify, enables the Minute Maid Corporation to use its facilities continuously and efficiently; and, what is more important, advertising and promotional programs can be planned well in advance. Furthermore, contracts to furnish large buyers continuous supplies with designated schedules of delivery and at competitive market prices can be entered into.

The bargaining arrangement is as follows: Minute Maid Corporation charges Florida Orange Marketers a price for processing that is equivalent to the cost of processing its own fruit. Minute Maid pays a price equal to, or above, the average price quoted by the Florida Canners Association for the marketing period. Because of the nature of the price-making forces, which we shall not go into here, this price is a favorable price for the cooperative.

Florida Orange Marketers furnishes a volume for the season on a designated schedule of delivery and a minimum quality standard. This arrangement has advantages for members of Minute Maid Corporation, because it insures them of a high quality and uniform supply that enables them to operate their processing facilities efficiently. But more important, it enables them to carry on an effective promotional program and to meet the needs of all types of buyers.

The arrangement also has advantages for the members of Florida Orange Marketers in that it insures them of an economical way of getting their fruit processed and of having it sold under a well-established brand, which has a supply that can meet the demands of any particular buyer. This means that the grower members of Florida Orange Marketers could, as they have been doing, use the profits for new planting -- which profits, for the past 20 years, have been higher than most other businesses in Florida.

In the case of a disaster or unusual supply condition, such as we are now experiencing, the Florida Orange Marketers has a right to the use of the facilities of the Minute Maid Corporation in proportion to the volume that its supply is of the total. The Florida Orange Marketers then allocates its share of the facilities to its members according to the proportion each member's marketable supply at the beginning of the season is of the total marketable supply.

Most of the other citrus bargaining operations in Florida are similar to Florida Orange Marketers. Even in the case of the operating cooperatives, the federations of local fresh fruit packing and grove service associations had the same problem of expanding markets with greatly increased supplies. In all cases with federated processing cooperative and bargaining associations, more emphasis is based on supply than on price.

Brands for a processed product are of great importance where the product, like citrus concentrate, has an expanding market. The branded product should not disappear from the shelves of retail stores, the supply must be large so that the cost of promoting the brand will not be too burdensome, and the supply and delivery schedule should meet the needs of all buyers, especially large buyers. In both the processing and bargaining associations, the emphasis is on a supply that makes brands possible and processing efficient and meets the needs of large buyers.

This disaster the citrus industry has just experienced has brought about some changes and will bring still more. One bargaining association, in order to lower harvesting cost and salvage as much as possible of the least damaged fruit, abandoned allocation of plant facilities on the basis of the proportion of the growers' volume to the total volume.

This association is harvesting the least damaged fruit and the fruit from the largest groves. Then, of the fruit that is salvaged, the proceeds will be allocated to all grower members according to the proportion that the quantity of fruit specified in their contract is to the total fruit specified in all contracts. Certainly, we can see inequities in such an arrangement, but under such conditions the proper thing is to choose the system that has the least inequity in it.

Under this arrangement, the association harvests more and better fruit than could be done on the conventional arrangement of harvesting fruit from all groves in the proportion that each grower member's fruit is of the total. This will mean more net dollars to be distributed to the members.

No one at this time can foresee all the changes that will be made as a result of the present disaster. However, it is likely that emphasis in future bargaining operations, as has been the case in the past, will be placed on acquiring a supply of fruit that will enable brand development, low cost operation, and ability to meet the needs of large buyers.

Growers who organize well their supply so that brands -- whether theirs, or packer's, or chain store's -- can be developed, and who have sufficient supply to have low processing cost and meet the needs of large buyers will be in a strong bargaining position in the difficult years ahead.

At the present time, most cooperatives are performing all production services for their members, and one bargaining association is now bargaining with grove caretaker operators for production service.

HOW PROCESSORS AND BARGAINING ASSOCIATIONS CAN WORK TOGETHER

Milan D. Smith, Executive Vice President
National Canners Association, Washington, D. C.

It is a distinct honor and pleasure for me to participate on the program of the Seventh National Conference on Fruit and Vegetable Bargaining Cooperatives. I was pleased to be in a position to respond affirmatively when the invitation was extended by my good friend, Joe Knapp, whose effective work as Administrator of the Farmer Cooperative Service, I have observed at close range for nearly a decade. Since arriving, I have met other friends and have made new acquaintances. This is always a source of satisfaction to me.

The pertinent and valuable exchange of ideas which I heard in yesterday's session, and the review of cooperative bargaining developments on the West Coast and in Florida, which we have heard thus far this morning, attest to the fact that the purpose of the Conference is being realized.

A little background information on the canning industry generally, and on the National Canners Association specifically, should prove helpful as I develop the assigned topic, "How Processors and Bargaining Associations Can Work Together."

Canneries are located in 49 of the 50 States, in approximately 2,000 communities. From these plants a flood of wholesome, appetizing, conveniently canned foods--packed in tin, glass, and so on--moves into distributive channels and on to the ultimate consumer. The number of different canned items available--now more than 1,200--is ever increasing and has helped build the per capita consumption of canned foods in this country to 137 pounds annually.

We in the National Canners Association are proud that approximately 600 canning firms, representing 80 to 85 percent of the national production, so value the services of the Association that they give support not only with their payment of dues, but also--and this is extremely important--with company personnel participation in our programs where it is appropriate to do so.

Growers as well as canners have a vital stake in the continued "health" of the NCA. The combined effort of various divisions of the Association is directed toward greater acceptance of the products of the canning industry. Producers of the raw product, processors, suppliers of containers, cartons, labels, condiments, and so on, and certainly the consumers, have all benefited from the success of this effort. The image of canned foods has steadily improved over the years--marketshhave been broadened--and the consumer has noted further improvement in living standards, because of the genuine "bargains" available to her when she buys her food in this processed form. Whereas the Bureau of Labor Statistics figures indicate food prices generally well below other cost-of-living items on the index, canned foods in turn average well below all foods in this comparison.

There is not sufficient time to detail the numerous programs and activities of NCA, but I am sure you would agree that the outlet for your crops provided through canning would have been greatly restricted over the years without the work on hundreds of vital projects in our Research Laboratories in Washington, D. C., Berkeley, Calif., and Seattle, Wash. and without the broad services of the following additional divisions: Information, Government-Industry Relations, Raw Products, Statistical and Economics, Consumer Service, and Claims. We also carry out Consumer and Trade Relations, Labeling, and Fishery Products Programs.

On January 2, 1963, a Division of International Trade was established. Such need was anticipated, and guidelines were designated to help canners with the inevitable problems relating to exports and imports, occasioned by the enactment of the Trade Expansion Act of 1962. Our recommendations regarding activation of such a division were finalized the day before the President signed the bill.

We take justifiable pride in our membership which includes cooperative as well as independent canneries. In each category there are, from the standpoint of production, some small, some medium-sized, and some large processors. They, in the composite, pack canned fruits, juices, vegetables, milk, fish and meat, and specialities including baby foods and soups.

As this conference is to provide a forum for the discussion of mutual problems facing fruit and vegetable bargaining cooperatives, I'll limit my comments from this point on to the crops in these two categories.

You are likely well aware that canners use four out of every five tomatoes grown in the United States; three out of every four beets; and approximately two-thirds of the tonnage of peas and corn. They also process about half the red cherries, peaches, pears, and apricots; and nearly half the grapefruit grown in American orchards.

There is no doubt, therefore, that canning is an extremely important marketing medium for producers. Nor is it surprising to find in this complex industry, canners with a wide range of viewpoints on the subject of bargaining cooperatives.

Today, we have members who negotiate their contracts entirely with individual growers; others who agree on terms with the individual grower, subject to the proviso that the bargaining co-op stamp of approval be placed on the contract; and others who negotiate contracts with the officers or designated representatives of the bargaining co-ops.

In this extremely competitive industry of which we are a part, we should not overlook the community of interest between canners and growers. Unless there is concern on the part of the canner for the grower and his problems -- and on the other hand -- the grower for the canner and his problems -- great dislocations will result and both groups will suffer.

The canning industry is demonstrating concern for the economic welfare of the grower. As already pointed out many benefits to producers are made possible by the services of the National Canners Association, some direct, some indirect. Additional direct services are evident from a survey recently conducted, in that we know in 1961 the industry spent at least $11 million on agricultural research for the benefit of the producers of canning crops. This consisted of approximately $7½ million in research on crop production methods by the canners' own technical staffs, soil scientists, entomologists, horticulturists, agronomists, and agricultural engineers. In addition, $1¼ million was donated to experiment stations for specialized pieces of research; and there was approximately $4 million invested in capital equipment for agricultural research.

In addition to this investment, the processors have been providing a very high grade service to growers of canning crops in advising the growers on proper selection of soil and fields for the production of specific crops; in many cases running soil tests and advising on insect and disease control, and proper time of harvest.

Furthermore, there has been a great revolution in the mechanization of agricultural production, harvesting and hauling. This specialized type of equipment is very expensive and individual growers of canning crops in many, many cases cannot afford to make this capital investment. The canning industry also assists in the production of canning crops by advancing credit and not collecting for seed and other supplies, and for services, until the end of the season when the crop has been delivered to the processor.

In general, the canning industry provides an outlet to the producer for a wide range of crops, and it carries the rest of the marketing from the time of precontractual price arrangements until the crop is sold. Arriving at the precontractual price where the crop is dependent upon many variables is a problem in itself. To meet this challenge, the processing industry has specialized personnel who study markets, producing areas, costs, competition between individual commodities, and so on, weighing all cost factors. The management of the canning firms is in a position to arrive at a raw-product price they think will move the finished product in the consuming market.

Obviously, unless a product is moved into consumption within a reasonable length of time--and this varies somewhat with the commodity--the processor, grower, and all others connected with its production and distribution may suffer. We must not forget that frequently over the short range, and most certainly over the long range, it is the consumer who determines the quantity and quality of canned foods. Her influence is felt when a crop is grown, canned, and sold.

The total margin of profit to be shared by the grower, processor, distributor, and retailer is relatively small. There is ample evidence to support the premise that the canner has not exploited the grower on one hand--nor the consumer on the other.

The return on investment in the industry has been relatively low as evidenced by the fact that during the past 2 to 3 decades many plants have closed. A number of mergers have been accomplished, with the objective and hope that the combined operations could be made more efficient. Some companies have experienced financial distress and some have gone through bankruptcy procedures because they were unable to pack and sell products at the prevailing market price and cover their costs.

Today, most of us are aware that many rapid changes are taking place in the world about us; but we may not be so aware that among the most amazing of these changes are those which relate to the food industry. Production of canning crops has become a highly scientific business; with fierce competition, only the efficient processor and the efficient grower or producer are going to stay in business.

A canner without profits for improvement and modernization of his plant and for product research and development finds the chance of his survival over a period of years very slim. If elimination of market outlets occurs on a broad scale, it would not appear to be in the long-range interest of the grower.

I have visited with several canners who deal exclusively with their individual growers, bargaining associations playing no part in any of the negotiations. These canners are very sincere in their feeling that the method they are using is best not only in the interest of the canner, but of the grower--and the consumer as well.

Certainly, among the reasons a processor will advance, for so conducting this phase of his business, is his conviction that the underlying force in our free enterprise system is the law of supply and demand. If supply outstrips demand and surpluses develop, he feels that the organization of cooperative bargaining associations would not provide a solution to the problems. Even if volume controls were adopted -- and some in Government and agricultural circles have said such a device would improve the climate for success of such bargaining groups -- these processors maintain that the basic supply law cannot be circumvented and that such a marketing order would at best have a short-run effect in increasing producer price per unit. In the long run, they believe such tools may well be harmful to producers by costing them part of the income they would otherwise have had, or even worse, costing them their markets. Neither group would, therefore, be benefited.

Too, there is concern in the food processing industry that any program which did not give individual canners and/or individual growers a voice in action taken could have serious long-range repercussions. It is asserted that the individual, whether canner or producer, wishes to reserve his right to solve problems by methods deemed most advantageous to himself.

The record gives support to the conclusion that any bargaining association which is formed primarily to increase the price of a commodity is bound to fail. There have been numerous instances in this country where because of bargaining and increasing the price, the processor has moved out of that particular area and has grown or purchased crops in other areas where they could be more efficiently and economically produced. Furthermore, if the price on the crop becomes too high, the processor himself can always lease land and produce his own crops as he is in the best possible position to determine whether or not the pack can be sold at a price which would recover cost of raw product at a determined level plus other costs going into the finished product. He may even collect a profit on the production of the raw product itself.

Bargaining associations, therefore, will have to provide other services to the growers which in several major producing areas are furnished at the present time by the processors, and this will require money--personnel, equipment, and other capital investment. If any bargaining group wishes to assume all of the responsibilities and investment, then it would be in a better position to discuss the pricing and delivery of a product of uniform high quality. In any bargaining negotiations all the relevant facts of economics, markets and distribution, carryover and pack must be considered. It is only under these circumstances that an equitable raw-product price which would give some hope of at least a small profit to both the producer and the processor, can best be determined.

Canners have for many, many years used contracts in buying their raw products. Particularly has this been so in vegetables and this method is being used more frequently in the procurement of fruit. They feel the canning crops' record has been good from a grower standpoint when comparing their returns with those from alternative or competing crops.

As numerous processing companies have had no experience in dealing with a bargaining association, they are quite naturally concerned when they contemplate changing or modifying the system which has proved to be effective during the years of their companies' existence. These food processors pose a number of questions, make observations, and/or raise valid points which should be of keen interest to those of you here today.

A better understanding between producers and canners could result from careful study of such points and/or questions as outlined here:

1. No need has been demonstrated for the interposition of the third party. Direct bargaining already exists as the processors seek to (a) Obtain growers producing high yields of excellent quality; (b) obtain advantages of repeat growers; and (c) establish an attractive price (example, vegetables) prior to planting, enabling the processor to sign the required acreage, taking into account rates from competitive crops and competition from other processors.

2. There is a misunderstanding concerning the bargaining strength of the grower and the processor. Their positions are not equal, the balance favoring the grower because he can raise other crops. In other words, it is contended that growers of contract crops don't need a bargaining association. It is pointed out that the processor must have raw product to run his factory (tomatoes, for example), but the grower does not have to grow tomatoes and has alternate crop sources of income to which he can turn unless he is satisfied with price and terms of the contract offered.

3. Bargaining associations have shown a disregard for quality, which in the long run, adversely affects the growers. Even if the third party says it will bargain only as to price, there may be pressure, particularly from the marginal growers, on the bargaining association to abolish price spreads between grades and to weaken grade provisions.

4. Agricultural research and practices require direct work between the processor, field workers and growers. The bargaining association may upset this relationship.

5. Bargaining associations are interested only in the price--generally in increasing the price per unit. The bargaining agent must continually justify its existence. On the contrary, the processor is interested in increasing the net return to the grower by working with him in improving yields and quality, but with the hope that the unit price can then be reduced.

6. Bargaining associations, by aggressively bargaining and increasing unit costs to processors have encouraged foreign overseas production which may result in a loss of our export market and require imposition of U. S. tariffs to protect domestic industry. With the Trade Expansion Act of 1962 now law, it is unlikely that the U. S. Government will readily respond to an appeal for increased tariffs in an era of freer trade and lowering of barriers.

7. The bargained price is based on the return to the marginal or inexperienced grower, and the processor would not get the economic benefit of the better growers with their more efficient operations and higher yields.

8. Processors' incentives to carry on extensive research may be destroyed because of lack of benefit to the canners. For example, processors would be unable to take advantage of reduced prices resulting from improved yields arising out of improved practices, or new varieties of the particular crop.

9. There would be a tendency on the part of bargaining associations to restrict memberships and volume of raw material, as any price increases would attract more growers to produce.

10. The bargaining cooperatives lose sight of the differences between the fresh market and the crops for processing by continually failing to recognize: (a) the processed crop is often not in competition with the fresh crop; (b) the processed crop may require different delivery and packaging than the fresh crop; and (c) the processed crop as some examples demonstrate, may actually increase consumer acceptance and consumption of the fresh crop.

11. Significant local differences in farming and processor marketing would dictate that where bargaining takes place it be on an area rather than a national basis. Bargaining associations have reacted differently to existing and potential competition from other producing and processing areas. Without intending to do so, bargaining associations have held umbrellas over other competing producing areas.

The foregoing list of points which concerns processors deserves your careful consideration. Maybe you have sound answers to some of these. The more light that can be shed on these problems the broader the base of understanding which will result.

Producers and canners alike should take pride in their contributions to our national economy. Freedom of choice, and maintenance of independence of these groups has been an important factor in their accomplishments.

Great opportunities lie ahead for producers and for canners. If we are to be successful in our extremely competitive times, our decisions, our methods will have to stand the test. It will require effort, the will to work, and perseverence.

It has been an educational and pleasant experience to be present for this Conference. You have been very considerate. I thank you.

PROGRESS REPORT--AMERICAN AGRICULTURAL MARKETING ASSOCIATION

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American Agricultural Marketing Association
Chicago, Illinois

Farm Bureau leaders and members for many years have recognized that farmers can gear production to market needs and improve grower returns through the use of contracts and bargaining activities. A practical question which has faced Farm Bureau leaders has been, "How can Farm Bureau best apply its membership strength, manpower, and facilities to assist in developing and strengthening contract marketing and bargaining?"

Two areas of activity seemed of major importance as Farm Bureau leaders studied the opportunity of strengthening and building bargaining cooperatives. First was the area of assisting in the operations of existing bargaining cooperatives. The second was in the area of organizing new cooperatives.

In the area of assisting in the operations of existing cooperatives, Farm Bureau's objectives include information services, contract analysis, legal assistance, negotiation of contracts, and so on. As these objectives were further analyzed it was felt that many of the existing bargaining associations were relatively self-sufficient.

Leadership in some existing bargaining cooperatives had advised that one of the major problems in bargaining was the lack of organization of some commodities which were competitive with theirs in the market place. Others advised that they were handicapped in their bargaining efforts by unorganized producers of the same commodities. Therefore, it was decided that primary emphasis should be given to organization.

In February 1960, the American Agricultural Marketing Association was established as an affiliate of the American Farm Bureau Federation. Many of you here today assisted in the development of the A.A.M.A. Your guidance and advice were extremely valuable.

Real progress has been made in organization since that time. Twenty-one State marketing associations affiliated with State Farm Bureaus are now organized and in operation. Several other States are in the process of developing their organizational structure. The legal framework--including membership and marketing contracts, methods of finance, and so on--is available in these 21 States for producers of any commodities who have a need and a desire for bargaining-marketing programs. Each of these States have personnel responsible for directing the bargaining program. Several States have full-time management employed; others have personnel assigned part-time and plan to employ additional personnel as the program develops.

These State associations, in addition to the California Canning Peach Association and the American Farm Bureau Federation, make up the membership of the A.A.M.A. Close coordination of interstate marketing activities is possible under this organization structure.

At the present time the Fruit and Vegetable Division of the A.A.M.A. receives primary attention. This division currently includes an Apple Department, a processing tomato program, and a processing vegetable program. The Fruit and Vegetable Division also offers services to producers of other commodities such as potatoes, fresh vegetables, and so on. This division coordinates the programs designed to serve all fruit and vegetable producers where there is a need and desire for service.

The 21 States that presently have State Farm Bureau affiliated marketing associations produce approximately 90 percent of the total tonnage of fruits and vegetables that are sold for processing.

The Apple Department of the A.A.M.A. was established at the request of apple growers from several States in March 1962 to provide growers of processing apples an opportunity to work together effectively.

The growth of the Apple Department of the American Agricultural Marketing Association has been very gratifying. Programs are in operation in Maryland, Michigan, New York, Ohio, Pennsylvania, Virginia, and West Virginia--where over 1,000 apple growers joined together in 1962 in the apple marketing effort. New Jersey is in the process of establishing an Apple Department in its marketing association. This will lend strength to the entire program.

During 1962, the State marketing associations signed agreements designating the A.A.M.A. as their common marketing agency for the sale of apples. In this role the A.A.M.A. made contracts with processors, coordinated activities of the several State associations, and served as an information center.

The multistate program is guided by an Apple Advisory Committee of growers. This committee is made up of representatives from all of the States with an Apple Department in the State Farm Bureau marketing association.

During 1962, the committee and staff members sought markets which returned the greatest possible net income to grower-members while newsletters and direct contacts kept members informed of market conditions.

The Apple Advisory Committee will meet January 10-11 to make recommendations on the 1963 apple marketing program. Strengthening the membership will receive major consideration. The committee will further consider marketing objectives and procedures for the 1963 processing apple crop.

Tomato growers for many years have asked the American Farm Bureau to assist them in coordinating their marketing programs at the national level.

One weakness of a national tomato program in the past has been the lack of organization of tomato producers in some of the important producing areas. One of the first programs of the A.A.M.A. was to assist in organizing the unorganized areas. At the present time there are State Farm Bureau affiliated marketing associations in States which produce over 95 percent of the U. S. total tonnage of processing tomatoes. Tomato growers are signing membership and marketing contracts in these associations.

In December 1962, tomato producers from 10 of these States serving on an advisory committee met in Chicago and made recommendations to the A.A.M.A. board and management. These recommendations outlined procedures to coordinate the marketing activities of processing tomato producers. This program will include a vital information center for rapid and accurate dissemination of contracting activities and other developments which affect the marketing of processing tomatoes.

Long-range objectives and organizational procedures were also discussed. It is anticipated that marketing activities of the State associations will be more closely coordinated in the future as the program develops.

Processing vegetable producers--including producers of asparagus, lima beans, broccoli, green peas, snap beans, sweet corn, carrots, and so on, have asked for services from the A.A.M.A. and State Farm Bureau affiliated marketing associations. These services include reports on contracting activities, analysis of contract terms, exchange of information related to contracting of processing vegetable crops, and other services which more closely coordinate marketing activities among the various States.

State marketing associations, affiliated with the A.A.M.A., have developed membership and marketing contracts and are signing producers in States where processing vegetable production is of major importance. Producers of some commodities--including asparagus, lima beans, and broccoli--have asked for services in negotiating contracts with processors. Several marketing associations are actively engaged in such contract negotiations.

The A.A.M.A. Board of Directors has offered the services of the A.A.M.A. to producers of potatoes for processing to assist them in developing a contract marketing system which will enable them to negotiate terms of contracts with buyers.

Producers in the leading potato producing States are now discussing organization in their States and are studying the possibility of a nationally coordinated program.

State Farm Bureau affiliated marketing associations have offered their services to producers of any commodity where there is a need and a desire for marketing services. In some States producers of fresh vegetables, grain, soybeans, lamb, and other commodities have asked for, and are receiving, various services in marketing their products. Producers of poultry and wool are also suudying possibilities of strengthening their ability to obtain full value for their products through organization.

Progress has also been made in improving the climate in which these associations can be most successful. Perhaps an area of most significant progress has been in improving grower understanding of bargaining activities.

Some growers have in the past subscribed to the concept of withholding commodities from the market to force prices above market levels. Other growers have felt that bargaining is a method of keeping all producers in business. Neither of these concepts has been accepted by Farm Bureau members in developing a basis for bargaining activities.

Withholding and forcing prices to unrealistic levels is not a part of Farm Bureau's program. If farmers were permitted a monopoly position that is envisioned in the concept of withholding, we could expect that the public through Congress would move in to regulate this monopoly as they have in public utilities. This would inevitably lead farmers to Government controls--the very thing farmers are trying to avoid.

A third area of progress has been in improving buyers understanding of bargaining cooperatives. We are challenged as producers' organizations to earn recognition from buyers and to persuade them that we can and will be of benefit to the industry. Some buyers are hesitant to entrust producers' associations with the market power inherent in well-organized marketing associations. In some cases, this hesitancy may be justified.

Some buyers, however, have indicated a desire to cooperate with the associations while some have shown passive resistance and a few have displayed more active resistance. I am convinced that such active resistance is due primarily to misunderstandings. We must make every effort to improve mutual understanding.

Some growers have asked that legislation be enacted to prohibit unfair trade practices. At the American Farm Bureau Federation's annual meeting in Atlanta in December 1962, delegates passed a resolution calling for support of State and national legislation to prohibit unfair trade practices in relation to bargaining activities. Many leaders in Farm Bureau feel that such legislation once enacted would seldom if ever be used. They are convinced that any unfair trade practices can be avoided through better understanding.

During the past year, officers and staff of the A.A.M.A. and State associations had personal visits with officers and management of many of the major national processing companies. There is no reason to believe that it is the policy of any of these companies to deal unfairly with producers in regard to bargaining association activities. It would, however, be illogical to assume that these companies will promote bargaining association membership. It would also be illogical to assume that all employees of these companies feel kindly toward develomment of bargaining activities.

But it would be just as illogical to assume that these companies do not want to discuss and understand bargaining associations' objectives and programs. In our visits with the officials of these companies, it was clear that of the programs facing agricultural producers in the marketing field, contract marketing and bargaining are more attractive than the alternatives.

Many buyers are giving considerable attention to the development of bargaining associations. I believe that this attitude is reflected in a statement by Seth T. Shaw, National Association of Food Chains Marketing Consultant, at the NAFC 1962 annual convention. Mr. Shaw said:

> "Farm leadership will be under increasing pressure to find ways to increase farm income and minimize price fluctuations. Some individual farmers, farmer co-ops, and commodity associations are looking for assured outlets, at a price to be determined in advance by some sort of formula. Some are meeting with some success. We can expect more of this, and it is my humble judgment that the more we (buyers) can cooperate with reliable sources of farm products to help them accomplish their purposes in a competitive market the better it will be for all of us."

Progress has been made in the A A.M.A. program, and we anticipate further progress in 1963. Farm Bureau has chosen to assist where possible and where there is a need.

In conclusion I would like to quote President Shuman from a talk given at the recent AFBF annual meeting:

> "Farm Bureau faces an opportunity and challenge to develop a successful marketing program.
>
> "Farmers who want a good substantial income must not be content with being just bulk raw-material producers. Active participation in marketing programs will be essential in reaching this income goal.
>
> "Farm Bureau's activity in the marketing area is not a 'flash in the pan' and it will represent a major part of Farm Bureau activity for many years in the future."

PANEL: HOW CAN WE BUILD GREATER BARGAINING STRENGTH?

Statement by Floyd F. Hedlund, Director, Fruit and Vegetable Division
Agricultural Marketing Service
U. S. Department of Agriculture
Washington, D. C.

Farmers are becoming increasingly aware of an imbalance in marketing--they lack organized selling strength in the face of fewer and larger buyers with whom they have to deal. They want to know how their bargaining position can be strengthened.

First, let us look at how this imbalance between buyers and sellers came about and then ask whether the influences which created it are likely to continue.

Concentration of buying power and the substantial changes in market structure and performance associated with it are a result of mass merchandising and the growth of large-scale food retailing organizations. The number of grocery stores is declining each year. There are presently one-fourth fewer stores than there were 10 years ago. One estimate is that 7 percent of the stores are doing over one-half of the total grocery business. Sales in the average food chain store now exceed $1 million annually, more than double average sales 10 years ago.

Large food retailing organizations--whether corporate chains, voluntary groups affiliated with wholesalers, or retailers who cooperatively own and operate wholesale warehouses--are estimated to have handled nearly 90 percent of all grocery sales in 1961. Non-affiliated, independent retailers handled only about one-half the volume they did 10 years earlier.

Concentration still goes on. During 1961, 31 corporate food chains acquired or merged with smaller multi-unit sellers. These transfers involved 473 stores. This was the largest number of stores involved in mergers and acquisitions since 1955. The score for 1962 has not yet been tallied.

Voluntary groups of retailers -- either affiliated with wholesalers or jointly owning wholesale facilities -- are growing even more rapidly. In 1961, these voluntary groups accounted for an estimated 49 percent of total grocery sales, exceeding the combined sales of the corporate chains.

Because of the efficiency and cost advantages of mass merchandising we can expect further growth of the chains and affiliated independents. Still fewer large-volume buyers will be the result. Along with this change in market structure has come a significant shift in purchasing patterns, away from traditional wholesalers and terminal markets in favor of direct buying from producers, shippers, packers, and processors.

What can farmers do in the face of these changes? To me, there is only one obvious answer -- organization. Farmers must join together to develop centralized selling power that will place them on a more nearly equal footing with the large buyers with whom they have to do business.

There are a number of ways this can be achieved. No one answer is best for all commodity groups and all sections of the country.

In some situations, well-managed marketing cooperatives may be the answer. Such organizations not only pool the volume and selling power of their individual members, but they frequently bring about the adoption of improved handling, grading, and marketing practices as well, which also help the growers' selling posture.

The formation of centralized sales agencies to act on behalf of sellers for a major segment of an industry or an entire industry in a particular area is another technique. This type of organization can effectively strengthen the bargaining position of sellers by reducing the number who are offering products to buyers.

Still another method is marketing agreements and orders--Federal or State. By utilizing these programs, growers in some areas have been able, on an industrywide basis, to improve their selling position by regulating the quality or the quantity of product available to buyers, by improving handling practices, and by regulating the types of containers and packs to be used.

Grower bargaining associations, of course, are one obvious method of improving the marketing strength of farmers. Among producers of fruits and vegetables for processing, grower bargaining associations have shown phenomenal growth. From 16 bargaining associations in 1954, the number increased to 30 in 1957 and to about 45 at the present time.

Another interesting and related development has been the vertical integration that has been taking place in the processing field, especially the acquisition of processing facilities by grower associations. Several examples could be cited -- California Canners and Growers (Cal-Can) in San Francisco, Calif., about which my good friend Ralph Bunje will have more to say; Curtice-Burns, Rochester, N. Y. and Welch Grape Juice Co., Inc., Westfield, N. Y. All of these represent relatively recent developments.

In addition, a number of grower-owned processing cooperatives which have been in existence for some time have expanded their operations. Under another type of arrangement here in Florida, grower cooperatives have been formed to market their members' citrus fruit through processors other than cooperatives. In most of these deals the growers partially finance the processor and, at the same time, assume much of the marketing risk.

All of these methods of organization are approaches to the problem of marketing imbalance at the grower level. Not all methods will work equally well in all situations and for all commodities. Grower groups must begin by self-analysis--by studying the nature of their specific marketing problems--and then decide upon a method of organization best fitted to their commodity and their problems. But there must be some kind of organized and unified effort on the part of producers. They must speak with a voice that commands attention.

Statement by Ralph B. Bunje, Manager
California Canning Peach Association
San Francisco, California

This conference has studied many of our problems. We have talked about the importance of using better economic data connected with our pricing activities. We have talked about the techniques of bargaining. We have talked about things like timing and the education of our members as to the importance of supply and demand, and the importance of communicating with our members. We have dealt with membership relations and public relations, and all of those things that are a part of marketing, and bargaining, as we understand it.

We heard people say that there was a period of success ahead for this idea of cooperative marketing, as we know it. The Department of Agriculture reported that there is more interest today in this kind of approach in pricing farm commodities than there has ever been before. We have heard reports that all over the country there was greater interest in bargaining and that people were feeling their way as to how they could bargain effectively. We have concluded that we must try different ways of improving our bargaining.

We are impressed by the fact that the American Farm Bureau Federation meeting at Atlanta was told that, in the future, marketing and bargaining might constitute over 60 percent of the activities of the American Farm Bureau Federation.

We have talked about the importance of marketing power and how we get marketing power. We have heard bargaining power associated with supply control programs and the use of grade standards; the utilization of acreage controls; the effective use of diversion regulations, or diversion programs; the use of better supply forecasts; and the need of improving the quality of the product.

Speakers have reviewed the limitations of group bargaining and the fact that, when your prices get too high, more producers get into the business and thus create more problems. Speakers have told us that there were built-in limitations to bargaining, to which I can certainly agree.

One of our speakers said, "I see farmers' cooperative bargaining power achieving an ever-growing, more important role." He said: "The idea is picking up thrust from various developments", that "the continued disparity between farm family business income and other business incomes of comparable investment is pushing farmers toward group bargaining."

He also said: "The mounting costs of the farm family business are pushing the farmers toward exercising more control over their business costs and income." He said: "The success that other major parts of the economy have made in blunting the hard edge of competition, free competition, leads farmers to seek comparable control, if only in self defense."

"Businesses," he pointed out, "have protection in the form of patents, franchises, tariffs, licenses, production control and sheer size; while labor operates within the comfortable warmth of favorable Federal legislation."

It was this speaker's conclusion that farmers are leaning more heavily toward group-achieved bargaining power because of the failure of government programs to bring about a parity of income to agriculture.

We know that farmers are becoming aware that they are an ever-decreasing minority of the electorate. They see that they need an enlightened, friendly legislative climate in which to operate -- and not direct legislative control over their prices, their income, and their management maneuverability. As we see our market outlets concentrated into fewer hands, we see both the need and the opportunity to negotiate for better, more dependable market terms. Many have concluded that the economic climate for cooperative bargaining has never been better.

Another subject that was talked about was the use of labor union techniques in connection with farmer bargaining. Without exception every speaker has concluded that this will not work, and there were some very important and essential reasons given.

First of all, farmers can't afford to hold their products off the market for obvious reasons: They have too much capital invested in the product; products, particularly perishable ones, tend to spoil and if you are dealing in such commodities as livestock, they gain weight, which creates a greater problem later on, as NFO found out. Costs continue if you are going to be involved with holding products off the market and farmers don't have the supplemental aids as other people do - such as labor.

Think of the climate in which labor works. They have unemployment compensation, they can get odd jobs to fill in, while most farmers can't afford to take odd jobs for that purpose. Farmers don't have a war chest that they can borrow from and the results that they obtain are not permanent as in organized labor, because they are dealing with the marketing of a product and not a service. When labor over-prices itself on the market, it has some mobility; the individual can find some way of transition to find another job.

Labor uses such things as seniority, job placement, and job training. It is inescapably the fact that, in agriculture, force is no substitute for economics as it so often is in labor disputes. Cooperative bargaining is a business tool and not an economic weapon.

If we negotiate as business people, we must think as businessmen. We must concern ourselves about our image with our customers. We need to emphasize our mutuality of interest with our customers and the eventual consumer. As business people we know, for example, that the capital investment per case of canned goods that our growers have in their peach orchards is greater than the capital investment of our cannery customer. In fact in the case of cling peaches, the capital investment of growers per case of canned goods is three to four times greater than that of the canning company.

I believe the time has come for us to think in broad terms. We must think more in terms of net returns to the farmers rather than in price alone. We must recognize the fact that there is an inflexible demand for the food that we produce. If we sell more peaches, the consumers are not going to get bigger stomachs; they are going to eat less of something else.

If we recognize our marketing in the overall as being inflexible, then perhaps some of the decisions that we make, or need to make, are made more easily because we understand the broad aspects of our problems.

We need to think of our problem as marketers--not as demanders or beggars, but as businessmen marketing a commodity. We need to think in terms of profit. As peach growers, we have a right to say "We don't like the climate in which we operate. We don't like to deal with people who are going broke. We don't think it makes much sense to brag about the fact that we haven't raised the price of canned peaches for the last 12 or 15 years'."

The American consumer is able to pay more for canned cling peaches. Why can't we growers and canners get more? There needs to be a greater emphasis on our mutuality of interest. We need to get the price from the consumer rather than out of the grower, or out of the canner, or out of the National Government.

We must think in bigger terms, if we are going to approach this problem as business people. I think, as marketers, we don't manufacture more products than the consumer can take. As marketers, we don't force our customers to take our product. As marketers, we don't demand subsidies for the things we produce; as marketers we don't permit poor quality to get into the flow of commerce; and as marketers we don't give our products away: We sell them, and we sell them at a profit.

We merchandise as business people; and we seek to establish and emphasize the mutuality of our interests between ourselves, our customers, and our consumers. We need to develop a higher profit demand not only from our growers and from our customers, but from our competitors; because we are not going to remain free for very long if our competitors are unwilling to sell at a profit.

We can say as growers--and I believe we can say it, too, for our cannery customers--that we are getting tired of subsidizing the consumer. We are not in the business of subsidizing the consumer; we are in the business of making a profit.

So, how do we get there? We need to find ways of making our product profitable for our customers and popular to the consumer. We need to communicate this concept to others, and we do this by helping to reduce our common costs and by improving our marketing system to the point that we can get more for our products. We need to create a better legislative climate within which we can operate.

We need to emphasize the marketing aspects of our business. We need to find new ways of reducing our costs. We should deemphasize the importance of the Federal Government as a market, but emphasize the importance of that government as a referee. We need to spend less time on lost causes, less time on worrying about some kind of a National Farm Program, and more time on the positive important issues that have to do with making a profit.

I think we are coming to a crossroad, not only in bargaining and marketing but for agriculture in the Nation, and I think a lot of people don't know they are at this crossroad.

The crossroads that I visualize go in three directions as we stand here looking ahead. There is one road to the right, one down the middle, and one to the left. There are different signs on each one of these roads. The one on the right has a signpost listing the methods that are going to be used in marketing farm products. As I read this sign it says, "This is the way to get good values and make a profit--use these kinds of tools as you proceed:"

1. Member education
2. Good public relations
3. Economic research
4. Reduced costs
5. Honest and fair valuation of the supply
6. Better techniques in bargaining
7. Voluntary methods in controlling supplies

The question is: Is this right road going to get us faster to our objectives, or is the middle road going to be the one?

The middle road also has signs on it. These are the tools that you use going down the middle road:

1. Grade standards
2. Fair trade practices
3. Diversion methods
4. Seasonal supply control
5. Advanced sales promotion of products
6. Industry research

Maybe that is the way to go. Some people say the left road is much faster. What do the signs say on that one?

1. Government pricing
2. Government fixing minimum prices
3. Vested rights to the market
4. Permanent controls
5. Checkoff system
6. Forced membership in bargaining associations

Which one of these roads are we going to use? A lot of people are looking at them, and what road we choose is important, not only to us but to our customers and to the consumer.

I don't think this is a simple case of a good road and a bad one. What really matters is: What shape will we be in when we finish the trip?

Statement by Berkley I. Freeman, Secretary-Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

The key word in this title is strength--

Great strength does not necessarily mean greater bargaining power. Many are the examples in history where nations and individuals possessed great military strength or great political strength, yet lost their empires or were defeated. Rome, Napoleon, and Hitler are all such examples. I also know bargaining associations with many members who control 90 percent of the tonnage involved in a commodity in a given area, but who fail to use that strength to enhance their bargaining power and in fact have weakened it. The use of strength is the all-important factor in determining your bargaining power.

To raise prices beyond their economic limits and destroy processors, to use your financial strength to withhold from the market, and to limit sales are destructive. To invest money in new products, promotion, and new markets at home and abroad--this is building a market; to assist processors in financing a pack beyond their ability to do so is the best application of strength. To build an enduring bargaining position--this assures you and your members of the chance of influencing their destiny on the strength of their own decisions, convictions, and welfare. If there is one axiom, that could apply to all bargaining associations it would be this: Strength is the power to build and the power to destroy. Your success will be determined by how well you build and how little you destroy.

Getting down to practical cases based on our own experience as the Great Lakes Cherry Producers Marketing Cooperative, we could point to the following strength:

We control 60 percent of the tonnage in areas that produce 95 percent of the tonnage available in the United States for our commodity--red tart cherries.

We have approximately $450,000 in capital, 5 years of experience, a representative and experienced board of directors, a manager who has had previous experience in successful negotiations of this kind and real responsibility in the business world, and five experienced fieldmen.

How did we use these factors of strength when we needed every ounce of bargaining power in 1962 to sell a crop 42 percent over the average production of the past 5 years plus a carryover of some 435 percent over normal, caused primarily by 25 percent error in price and tonnage of the previous year? When the chips were down, we found that our only salvation was cooperating with processors that we had previously worked with and the programs created to market our products.

In Wisconsin, we cooperated with one processor to keep another in operation. In New York, we cooperated with six processors who were unable to finance the size pack available to them. In Michigan, we cooperated with all processors to overcome grave oversupply situations. In Ohio, which picked short, we sent cherries down to help a processor who did not receive enough from his local area to meet his marketing requirements. In every case our attempts were constructive--helping rather than taking away from.

Our best investments were money we had spent the previous year to survey and explore the European market and now these markets developed when we most needed them. The million and a half pounds of cherries we bought to support the 1961 market created goodwill toward processors who were willing this year in the face of an overwhelming crop to sign the association contract for a cash price.

In meeting as a National Conference of Bargaining Associations through the past 7 years, we have in a sense grown together. Starting with the bare need for better prices, we have translated this need into active organizations fulfilling a much broader role and maintaining the bargaining power of growers and protecting their capital investments. In every case, we are meeting problems yet to be solved by any growers of any commodities in any country of the world. We have made mistakes along the way, and we have gained from one another's successes and errors, but we still represent the greatest single leap forward in commodity marketing that takes into consideration the welfare of the farmers that grow that commodity.

In a time of accelerated change, integration both vertically and horizontally, a shrinking world and an exploding population, we dare not rest on our laurels or develop a dogma or a set pattern of operation. In using our strength to build, we must take the maximum risks with the maximum rewards. This requires raw courage. The board of directors must take a stand on issues in spite of their current popularity, and the cooperative manager must be willing to risk his reputation and his job on a decision which can not be proved except in years of operation.

Positive action, courage, and capital are the ingredients needed to build greater bargaining power. We come to the market with varying degrees of strength. Regardless of how strong we are, the proper use of this strength will act to build greater bargaining power for growers. Every step forward will bring more growers into closer contact. It will bring home to them a greater realization of their opportunities and their problems. It is the only realistic answer to the question: "How can we build greater bargaining strength?"

RESOLUTION

Written at:
Miami Beach, Florida
January 3, 1963

Honorable Orville Freeman
Secretary of Agriculture
Washington, D. C.

Dear Mr. Freeman:

Members attending the Seventh Annual Conference of Fruit and Vegetable Bargaining Associations, held at Miami Beach, in connection with the Annual Meeting of the National Council of Farmer Cooperatives, adopted the following Resolution:

THE SERVICES OF THE FARMER COOPERATIVE SERVICE ARE GREATLY APPRECIATED AND, IN PARTICULAR, THE ANNUAL CONFERENCE SPONSORED BY THE SERVICE AND HELD FOR THE PAST SEVEN YEARS.

THIS APPRECIATION IS EVIDENT IN THE INCREASED ATTENDANCE OF REPRESENTATIVES OF COOPERATIVE BARGAINING ASSOCIATIONS.

WE COMMEND DR. JOSEPH KNAPP, ADMINISTRATOR OF THE FARMER COOPERATIVE SERVICE, AND HIS STAFF FOR THEIR CONTRIBUTION TO THE FURTHER DEVELOPMENT OF THIS TYPE OF COOPERATIVE ENDEAVOR.

WE RESPECTFULLY REQUEST THAT THESE CONFERENCES, SPONSORED BY THE FARMER COOPERATIVE SERVICE, BE CONTINUED.

Respectfully yours,

Robert E. Collins, President
California Canning Pear Assoc.

John Handy, President
Great Lakes Cherry Producers Assoc.